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GRAZING FEES ON PUBLIC LANDS

HEARINGS
BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS
OF THE
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
UNITED STATES SENATE
NINETY-FIRST CONGRESS
FIRST SESSION
ON
GRAZING FEES ON PUBLIC LANDS

FEBRUARY 27 AND 28, 1969



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GRAZING FEES ON PUBLIC LANDS

THURSDAY, FEBRUARY 27, 1969

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 3110, New Senate Office Building, Senator Frank Church (chairman of the subcommittee) presiding.

Present: Senators Church, Anderson, Bible, Moss, Burdick, Metcalf, Allott, Jordan of Idaho, Hansen, Hatfield, Stevens, and Fannin.

Also present: Jerry T. Verkler, staff director; Stewart French, chief counsel; Charles Cook, minority counsel; Porter Ward, and Roy Whitacre, professional staff members.

Senator CHURCH. This is the time duly noted and set for an open public hearing—informational in nature—by the Senate Public Lands Subcommittee into the recently promulgated regulations which provide for increases in livestock grazing fees on public lands.

The Bureau of the Budget announced the new increases on January 14, 1969.

Without objection, I direct that the Bureau of the Budget announcement appear at this point in the record together with my letter to the Secretaries of the Interior and Agriculture regarding the new fee rate.

(The material referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C.

The Bureau of the Budget announced today that grazing fees for Federal lands administered by the Departments of Agriculture and the Interior will be higher this year.

Stockmen using lands administered by Interior's Bureau of Land Management in 1969 will pay 44 cents to graze one cow or five sheep for a month, compared with 33 cents in 1968. New fees on Western National Forest lands managed by Agriculture's Forest Service will range from 31 cents to \$1.25 per cow-month, with sheep grazing at 6 cents to 25 cents monthly. In 1968, these National Forest fees ranged from 21 cents to \$1.80 per cow-month.

The Bureau of the Budget's Circular A-25 in 1959 instructed Federal agencies to charge fair market value for such services, in line with instructions from Congress in 1952 to prescribe fair and equitable fees which would be as uniform as practicable among the various Federal agencies. Schedules developed with the Bureau of the Budget call for grazing fees to increase in 10 annual steps until they reach a fair market value of \$1.23 per cow-month, with adjustments based on an index of current private forage prices.

The \$1.23 fair market value for range forage was based on the results of a 1966 survey of Western livestock operations conducted for the two Departments by Agriculture's Statistical Reporting Service. The livestock industry and financial

institutions cooperated in the survey. Groundwork had begun with economic studies of the ranching industry conducted for the Departments by Western universities and Agriculture's Economic Research Service.

It is calculated that the 1969 fair market value of public land grazing is \$1.25. This includes the \$1.23 base fee, adjusted by the current forage price index of 2 cents. Grazing fees will continue to be less than this calculated fair market value figure for 10 years while the fees are raised in annual steps to minimize the effect on stockmen.

For Western National Forests, the new rates go into effect as permits are renewed after publication of the schedules in the Federal Register. Local forest supervisors will have information on specific National Forest rates. For BLM lands, the rates simply will take effect for the entire 1969 grazing season; formal notice will be published in the Federal Register.

Both Departments proposed the new fee schedule last November 15. A proposed regulation implementing the program in the Western national forests was submitted for review to the Forest Services local grazing advisory boards and other interested organizations. Interior published its proposed fee regulations in the Federal Register November 16, and reviewed the proposals with its grazing district advisory boards and with its National Advisory Board Council.

Numerous comments were received from members of the livestock industry, from conservation and farm and ranch organizations, and from State and local governments.

The decision was reached after careful consideration both of the effects upon the livestock industry and the responsibility to the general public which uses many of the same lands for other purposes under multiple-use management principles. Both Departments will study closely and continuously the effects of the new fees.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., December 13, 1968.

Hon. ORVILLE FREEMAN,
Department of Agriculture.

Hon. STEWART L. UDALL,
Department of the Interior,
Washington, D.C.

MY DEAR MR. SECRETARY: Over half of the livestock in the state of Idaho graze on the public lands at one time or another during each year. Grazing fees are a matter of prime importance to the sheep and cattle operators.

Your recent announcement of the joint decision, taken by the Departments of Interior and Agriculture, to raise grazing fees on BLM and Forest Service land from the current average rate of 33¢ per AUM to \$1.24 per AUM, in incremental stages over the next 10 years, must represent the most drastic adjustment of grazing fees ever imposed.

I am unable, at this time, to pass an informed judgment on what justification may exist for so large an increase. Neither can I forecast the position of the incoming administration with respect to the projected new schedules. But it seems to me that so far-reaching a decision ought not to be taken in the waning days of this administration.

At a time when the transition of governments is upon us, this is a matter which should be left open for the new administration to pass upon.

I say this, not only for reasons of political propriety, but for reasons of practicality as well. There is no way for this administration to fix fees that will bind its successor. The attempt to do so will inevitably be regarded as presumptuous, the effect of which can only prejudice the ultimate outcome of the case.

Furthermore, I am satisfied that a fourfold increase in grazing fees constitutes a change of such magnitude as to call for a thorough legislative review. In fairness to those who must pay, Congress should make certain that the projected fee schedules, or any similar increases that may be promulgated by the new administration, are both reasonable and warranted.

Therefore, as Chairman of the Senate Subcommittee on Public Lands, it is my intention to conduct a public inquiry, early in the next session of Congress, examining the subject of grazing fees in all of its ramifications. The hearings will have, as their objective, a full review of the action taken by your department, its impact upon the livestock industry in the Western states, and the degree to which upward adjustment of grazing fees on federal lands can be justified in the public interest.

If you should wish to testify at these hearings, your participation will be welcome. An invitation will be extended to you at the appropriate time.

Sincerely,

FRANK CHURCH.

Senator CHURCH. The Legislative Reference Service of the Library of Congress has prepared a history of grazing fees on public lands. Without objection it will be included in the record at this point. (The material referred to follows:)

A BRIEF HISTORY OF GRAZING ON PUBLIC LANDS

(By George H. Siehl, Analyst in Natural Resources, Natural Resources Division, Legislative Reference Service, Library of Congress)

THE FREE RANGE

The early history of the Western cattle industry and associated range utilization was described by George Stewart, a Forest Service ecologist, in *The Western Range*.¹ These excerpts provide some idea of the rapid and expansive deterioration that occurred when the range was used indiscriminately, rather than managed.

"The first era of intensive use of western range by livestock coincided with the great boom in range cattle, which was on the upswing in 1880. By 1881 the price recovery from the 1873 depression generated in the grazing industry a tide of expansion which became a veritable flood in 1883. That year, in Wyoming alone, 20 mammoth cattle companies were organized with a total capitalization of more than \$12,000,000.

"* * * In a few short years practically all ranges were under use and in many cases depletion had commenced on a scale in keeping with the size of herds.

"Outfits owning 5,000 to 100,000 cattle were common on the Plains and in the Southwest, and properties of small owners were often consolidated by purchase or by incorporation.

* * * * *

"The buffalo, deer, elk, mountain sheep, antelope, and other forms of wildlife, large and small, that were the first users of the range had little or no discernible effect upon it in terms of depletion. Heavy use by vast roaming or migrating herds of buffalo was common, and around strategic watering places, salt licks, and on favorite breeding grounds range forage would be so fully grazed that little or no feed remained. Yet in every instance seasonal migrations of the herds permitted recovery of the vegetation between grazing periods.

"In all other instances of temporary exhaustion of the range resource, such as overuse by huge colonies of prairie dogs, or utter destruction of forage by locusts or crickets, sufficient periods of recuperation occurred to maintain the productive power of the original range. No evidence remains to us from those times of such persistent overuse as came when the white man began to pasture his cattle year after year on the same range, without affording any opportunity for restoring plant vigor.

"With the discovery of gold in the Rocky Mountains during the sixties, cattle were taken from Utah and California into Colorado, Montana, Idaho, and Nevada. The strong markets of the late seventies and early eighties carried grazing onto most of the accessible ranges in the mountain region. Here, however, development of the country was slower and more substantial, since it came in connection with homes and farms. Wild hay and irrigated alfalfa produced abundantly and from the first lent stability to range use on a community basis.

* * * * *

"The tremendous growth in range cattle, however, carried with it a weakness that in the end proved fatal. It was based on a husbandry transplanted from Mexico, which brought to English-speaking people for the first time in history the practice of rearing cattle in great droves without fences, corrals, or feed. The lariat, the type of saddle, chaps, and the sombrero came along with the

¹ U.S. Congress, Senate, 74th Congress, Second Session. Document No. 199, the Western Range. Letter from the Secretary of Agriculture, 620 pages. April 24, 1936.

manner of conducting the business. The very newness of it all as well as the immensity of the outfits left the Americans without guide or standard by which to gage either the security of the cattle as they roamed at large or the ability of the forages to stand up under continual intense utilization. It is little wonder, therefore, that cattle instead of grass came to be regarded as the raw resource and that the neglected forages began to give way before the heavy and unmanaged use to which they were subjected.

"This almost explosive expansion of cattle grazing was based on a great natural resource which the stockmen obtained with little cost. Grass was the magnet and living bonanza that irresistibly drew cattle and cattlemen to this range El Dorado.

* * * * *

"The expectation of fortunes to be made in a few years led to gambling in futures and caused overexpansion both in investment and in range use. In this process the accumulated forage of several years was mined, overuse taking not only the current growth but sapping as well the vigor of the forage plants. The better stockmen recognized the danger but warnings in a minor key during a boom get no hearing, and exploitation raced on.

"This constant drain, without allowing any chance for recuperation, caused the forage "mine" to peter out. In 1898 Bentley reported that some stockmen considered that in parts of Texas 'the injury has gone almost past the point where redemption is possible.' Ranges that should have carried a cow on every 40 acres had one on every 10 acres."

An extremely severe winter in 1885-1886 was followed by a summer drought and another bad winter. This killed large numbers of cattle, in places as much as 85% of the herd, and abruptly deflated the speculative balloon.

"So weak had the boom structure been and so severe the shock of its fall that only a wreck of the range-cattle industry remained. Range use had been so concentrated and relentless that the best coulees were hopelessly trampled, and the back slopes weakened in productive power. Herds were broken and scattered; confidence was wiped out; and forced sales for liquidation of debts pressed down the already broken prices.

* * * * *

"While the range was used recklessly by most ranchers, the necessity for providing a dependable forage supply was felt, even before the ruinous winter of 1886-87, by a few stockmen who had purchased land in an effort to prevent summer use of range suitable for winter grazing. Others, realizing that controlled ranges had advantages, were willing to relinquish their 'rights' and persuaded the national convention of Cattle Growers to recommend Federal leases on the public range. Before the boom, in 1881, stockmen of both Montana and Wyoming fought against enacting the law suggested by Powell for enlarged 'arid homesteads', and urged that all proposals to lease land be rejected; but after the boom they felt differently about the situation.

"No action on this recommendation was taken by the Federal Government and the cattlemen then attempted to acquire ownership of as much land as possible. Cowboys were hired to enter land and for a small sum turn it over to their employer. Lands along streams where cattle could water and where wild hay could be grown were acquired first, and later more and more upland range."

A major new threat to the economy of the cattle industry and the ecology of the battered range appeared—the sheep.

"Just when security in the ownership of cattle was becoming established and the West was being taught the necessity of welding land to livestock to insure dependable forage supplies and range use, a tremendous and rapid increase in sheep again stirred up the struggle for range.

"Sheep numbers quickly rose from a comparatively small figure to veritable hordes. This increase came at different times in different States, but maximum numbers were reached in most States between 1880 and 1910. * * *

"Vast numbers of sheep appearing almost without warning on fully used cattle ranges not only aroused a deep resentment but had a dire effect in causing even further exhaustion of the range forage. Compact herds left the range plants shaved to the ground and the soil exposed to wind and water erosion."

Stewart credits the institution of public land control with restoring essential stability to the deteriorating conditions on the range.

"The creation of the national forests * * * greatly stabilized range use and livestock production. An effort was made to administer grazing on the national forests for the benefit both of the permanent stockmen and of the adjacent agricultural communities. Having a definite range allotment with 3 to 5 months of dependable summer feed of high quality helped the stockmen to make the adjustments necessary to supply feed for the remainder of the year."

FOREST SERVICE FEES

The first regulated use of the forest reserves was set by the act of June 4, 1897. Regulations under this act allowed continued grazing of cattle in forest reservations as long as no harm was done to the forest. Sheep, however, were prohibited except in the Washington and Oregon reservations where it was thought that the abundant rainfall would allow for quick regeneration of vegetation. No fees were charged at this time.

Administration of the forest reserves was by the General Land Office in the Department of Interior until transferred to the Department of Agriculture by the act of February 1, 1905.

The first grazing fees were imposed by regulation on January 1, 1906. The minimum fees for summer grazing were set at 5 to 8 cents per head for sheep and, for the summer season, 20 to 35 cents per head for cattle and horses. The annual rate was 35 to 50 cents per head. The regulations further provided that, as the condition of the range improved and the demand for permits increased, the grazing charges would gradually be increased.

The imposition of fees was strongly resisted by stockmen. Clawson writes in *The Federal Lands*,² The authority to control grazing on the forest reserves was challenged successfully in the courts until as late as the period of 1908-11. For many years the authority to charge grazing and other fees was disputed."

A Forest Service view on grazing charges stated:

"The collection of a reasonable fee for the use of national-forest range is nothing more or less than the recognition of the common business principle of paying for values received. The intrinsic worth of the forage and the stability afforded the livestock agriculturist in the use of the range have definite values. Not to collect fees from the range users would result in a subsidy to this group as compared to the producer who operates on privately owned or leased range or farm land. The collection of fees is also justified as a means of offsetting the cost of administration and the construction of improvements on the range by the Government, both of which directly benefit the range user. Nevertheless, almost continuous pressure has been brought by the livestock interests using the range to keep the fees as low as possible."

THE PUBLIC DOMAIN LANDS

From the turn of the century until the 1930's there were numerous efforts to pass legislation which would provide some form of control and management of the public domain rangelands. These efforts are detailed by Foss in his book, *Politics and Grass*.³

In the absence of successful legislative action the public domain remained open to all on an unmanaged, first-come first-served basis. The severe grazing paralleled the early practices on forest ranges described by Stewart, and led inevitably to the same result. The 1936 Agriculture Department report⁴ said:

"Approximately 162 million acres of unreserved unappropriated public domain remained in the United States on June 30, 1934—practically all of it in the 11 Western States. This is the last 'picked over' remnant of the once vast acreage of free public land which except for 65 million acres now being organized for administration under the Grazing Act is a no man's land so far as conservation and orderly use of its resources are concerned.

* * * * *

² Clawson, Marion, and Burnell Held. *The Federal Lands: Their Use and Management*. Johns Hopkins Press, Baltimore, 1957, 501 pages.

³ Foss, Philip O. *Politics and Grass*. University of Washington Press, Seattle, 1960, 236 pages.

⁴ *Op. cit.* The Western Range.

"The forage resources on this land * * * have been depleted approximately 66 percent as compared to virgin condition and the soil and watershed values have been greatly impaired. The use of the land for wildlife conservation has been greatly reduced. The lack of regulation has led to serious social and economic maladjustments.

"Although the need for regulation to conserve and wisely use these resources has been recognized for many years and efforts to obtain action have been aggressively urged since late in the last century, nothing was done about it until recently. In June 1934 the Grazing Act was passed, but only after opposition which forced amendments that greatly lessened its value as an instrument for the solution of one of the Nation's major conservation problems."

Passage of the Taylor Grazing Act granted the Interior Secretary authority to establish reasonable fees for grazing permits. The first fees, set in consultation with an advisory board of stockmen, were to become effective in 1936. Cows and horses were to be grazed at a rate of five cents per animal unit month, and sheep at one cent per A.U.M.

One point stressed while the bill was under consideration was that revenues should cover the cost of administration. This was reemphasized again when Interior Secretary Krug had cattleman Rex Nicholson study the question of grazing fees late in the 1940's. "Nicholson's proposal aide-stepped any consideration of fees based on the value of forage or any other criterion. It assumed that grazing fees should cover only the cost of administering the program."⁵

UNIFORMITY AND FAIR RETURN

The Taylor Grazing Act was an important step in implementing a policy of insuring a fair return to the Federal Treasury for the use of public resources. The first fees set for grazing on the public domain were far lower than those charged on National Forests—a disparity which, despite criticism, continues today.

The two elements of the grazing fee system sought by many—uniformity and fair return—are already present inasmuch as the Bureau of Land Management fees are uniform, and the Forest Service fees come closest to yielding a fair return. The problem has been to combine the best features of both systems.

Attempts to bring the BLM fees nearly in line with those charged by the Forest Service date almost to the establishment of the former fees in 1936. The Congress set forth guidelines in the Independent Offices Appropriations Act of 1952 for establishment of user-charges. The Bureau of the Budget issued Circular No. A-25 in 1959, which provided further guidance. Numerous authors have chronicled the effective resistance to fee increases by the stockmen and their organizations. A comprehensive review of this conflict is contained in the chapter on administration of public grazing lands in *History of Public Land Law Development*.⁶

PROPOSED 1968 FEE INCREASES

In late 1968, as a result of a joint two-year study by the Departments of Agriculture, Interior and Defense, a proposal to revise the fee schedules was published in the Federal Register. The proposal would result in a common base fee of \$1.23/A.U.M. being reached in ten years by a series of equal increments.

A period of 45 days was provided for comment from interested parties, during which time conservation organizations generally lined up in support of the measure and stockmen's associations vigorously criticized it. Both sides presented what has become the standard arguments as used previously when fee increases were proposed.

THE GRAZING FEE RECORD

The fees charged by the Interior Department since 1936 are summarized in the following table:

⁵ *Op. cit.* Politics and Grass.

⁶ Gates, Paul W. *History of Public Land Law Development*. GPO, Washington, 1968, 828 pages.

| Year | Rate \$/AUM | |
|--------------|-------------|-------|
| | Cattle | Sheep |
| 1935..... | | |
| 1936-46..... | 0.05 | 0.01 |
| 1947-50..... | .08 | .016 |
| 1951-54..... | .12 | .024 |
| 1955-57..... | .15 | .03 |
| 1958..... | .19 | .034 |
| 1959-60..... | .22 | .042 |
| 1961-62..... | .19 | .034 |
| 1963-65..... | .30 | .06 |
| 1966-68..... | .33 | .066 |

The record is not nearly as simple for the Forest Service fee schedules. Dutton⁷ has summarized the early history of these grazing charges.

"From 1906 [see page 4] until 1910 there was little change in the fees, except that a few adjustments were made between forests and regions in order to assure like fees for like ranges. The regulations in 1910 provided for the establishment of cattle fees from 35 cents to 60 cents, raising the maximum limit 10 cents per head per annum, and of sheep fees from 10 cents to 18 cents yearlong.

"In 1915 the regulation was again amended and the per annum fees were established at 40 cents to \$1.50 per head per annum for cattle, and the rates for sheep at 25 percent of the rates for cattle.

"* * * the Secretary of Agriculture, under date of November 3, 1961, issued an order increasing the grazing fees from 12 to 20 cents per head for 1917 with the same amount of increase for each of the succeeding years of 1918 and 1919, provided no single increase or series of increases resulted in a fee in excess of \$1.50 per annum. A minimum rate of 60 cents per annum was established. These were flat rate fees and the examples are on a cattle basis."

A major study was undertaken in 1920 to determine a fair basis of compensation for grazing on the National Forest rangelands. A new fee schedule was drawn and presented to 9,000 permittees. While 1,700 accepted the increases:

"The great majority of the remaining 7,300 permittees agreed to the fairness of the method but, as a business proposition, were almost unanimous in opposing any increase at that time."

A review of the situation was ordered by the Agriculture Secretary.

"Mr. Dan D. Casement, Kansas livestock breeder and leader in the industry, was selected to make the review with the understanding that the 1919 fee rate would continue through 1925 and 1926, except where the appraisal had shown the 1919 rates to be in excess of the value of the forage."

Casement recommended an average reduction of 25% of the proposed new schedule, and the use after 1930 of the price of beef and lamb in setting fees. The new fees were approved in January 1927.

"Increases called for by the final adjusted fees were applied in installments of 25 percent each during the years of 1928, 1929, 1930 and 1931, the full increase being effective in 1931. Under this schedule the average fee per head per month for cattle was increased from 10.4 cents to approximately 14.5 cents; for sheep from 2.9 to about 4.5 cents. Fees by Regions, Forests, and grazing allotments of course varied considerably above or below the average."

The Use of the market price formula suggested by Casement was approved and applied in 1933. "It recognized that prices received by the producer year by year are indices to the ability to pay for a given commodity." This guideline was adopted by the BLM in 1963.

The following table shows the average National Forest grazing fees by years in cents per Animal Unit Months.

⁷ Dutton, W. L. History of Forest Service Grazing Fees. Journal of Range Management, vol. 6, No. 6, November 1953. Pp. 393-398.

| Year | Fee/AUM | |
|------|---------|-------|
| | Cattle | Sheep |
| 1933 | 9.05 | 2.05 |
| 1934 | 7.51 | 2.38 |
| 1935 | 8.04 | 2.71 |
| 1936 | 13.05 | 3.36 |
| 1937 | 12.55 | 3.66 |
| 1938 | 14.98 | 4.24 |
| 1939 | 13.4 | 3.3 |
| 1940 | 14.89 | 3.68 |
| 1941 | 15.97 | 3.85 |
| 1942 | 18.9 | 4.6 |
| 1943 | 23.0 | 5.5 |
| 1944 | 26.0 | 6.25 |
| 1945 | 24.8 | 6.03 |
| 1946 | 27.0 | 6.25 |
| 1947 | 31.0 | 7.5 |
| 1948 | 40.0 | 10.0 |
| 1949 | 49.0 | 11.0 |
| 1950 | 42.0 | 10.75 |
| 1951 | 51.0 | 12.25 |
| 1952 | 64.0 | 15.25 |
| 1953 | 54.0 | 11.75 |
| 1954 | 35.0 | 9.00 |
| 1955 | 37.0 | 9.00 |
| 1956 | 35.0 | 8.75 |
| 1957 | 34.0 | 9.00 |
| 1958 | 39.0 | 9.75 |
| 1959 | 50.0 | 10.25 |
| 1960 | 51.0 | 9.25 |
| 1961 | 46.0 | 8.75 |
| 1962 | 46.0 | 7.75 |
| 1963 | 49.0 | 9.00 |
| 1964 | 46.0 | 9.00 |
| 1965 | 42.0 | 9.75 |
| 1966 | 46.0 | 11.25 |
| 1967 | 51.0 | 11.50 |
| 1968 | 51.0 | 11.00 |

91ST CONGRESS ACTION

On January 14, 1969 the Bureau of the Budget announced that the previously-mentioned 1968 fee schedule would be applied.

Congressional reaction included the following:

Senator McGee of Wyoming introduced S. 716 to amend the Taylor Grazing Act. His bill would include the cost of the grazing permit in the formula used for computing total expenses of graziers on public and private land.

The Public Lands Subcommittee of the Senate Interior Committee scheduled informal hearings, February 27-28, 1969, on the grazing fee question. Subcommittee Chairman Church in announcing the hearings indicated that they were to look into the study conducted by the Interior and Agriculture Departments which led to the fee increase, and other aspects involving the increase. The hearings were not intended to deal with S. 716, although later hearings on the bill remain a possibility.

Senator CHURCH, Secretary of the Interior Walter J. Hickel recently issued a press release of his action to implement these fees. Without objection, it will be included in the hearing record at this point.

(The material referred to follows:)

GRAZING PERMIT BILLINGS ISSUED BY BUREAU OF LAND MANAGEMENT

Secretary of the Interior Walter J. Hickel has announced that the Bureau of Land Management is mailing today grazing permit billings in accordance with the regulations which were published January 10, 1969 (43 CFR 4110).

The new regulations were first published in substantially their present form, on November 16, 1968, and finally approved on January 10. They provide for an increase in grazing fees on public lands spread over a ten-year period.

Ranchers using public domain rangelands will pay 44 cents per animal unit month during 1969, compared with 33 cents during 1968. The schedule calls for graduated increases during the next ten years until the fee reaches \$1.23—which

is calculated to be the present fair market value of forage on the public lands. According to the final promulgation:

"One of the purposes of this change is to authorize the determination of grazing fees which reflect fair market value as a range forage pricing objective based upon an appraisal of operating costs which considers comparability between Federal and private grazing lands."

Secretary Hickel issued the following statement in connection with the grazing fee billings:

"On January 10, 1969, the previous Administration issued final regulations requiring increases in grazing fees on the public lands. Under those regulations, the total increase is to be spread over the ten-year period 1969-1978.

"I support fully the objective that the Federal Government receives a fair return for the use of public lands by grazers. At the same time, I recognize that there are differences of opinion as to what constitutes a fair return.

"The new rate schedule was made final just ten days before the new Administration took office. The 1969 grazing season is now almost upon us and, indeed, the mailing of permit billings is already overdue. Under the circumstances, orderly process requires us to move ahead and initiate the new schedule. As a result, billings for the 1969 season, based upon the new schedule, are now proceeding. I am assured that the Department of Agriculture is taking similar action.

"Litigation is now in process in two Federal courts concerning the new schedule of fees. Legislation involving these matters has been introduced in Congress. Congressional hearings have been scheduled by Committees of both the House and Senate.

"The Department welcomes the Congressional hearings on this subject which will begin in the near future. I am sure that much useful information will be obtained.

"For our part, the Department will keep this whole matter under review in the future, taking into account new information and new circumstances, including those developed in the course of judicial proceedings, Congressional hearings, and recommendations of the Public Land Law Review Commission."

Senator CHURCH. The new grazing regulations provide for an increase in fees spread over a 10-year period. Ranchers using public domain range lands under the administration of the Department of the Interior will pay 44 cents per animal unit month during this year, compared with 33 cents during 1968. The schedule calls for graduated increases during the next 10 years until the fee reaches \$1.23, which is calculated to be the present fair market value of forage on the public lands. Fees on western national forest lands managed by the Forest Service of the Department of Agriculture will range from 31 cents to \$1.25 per cow-month, with sheep grazing at 6 to 25 cents monthly.

In November of last year when the Secretaries of the Interior and Agriculture, and the Bureau of the Budget, announced the proposed increase, I informed the two secretaries that I planned to conduct this public hearing—pointing out that this must represent the most drastic adjustment of grazing fees ever imposed.

I did not then, and I do not now, attempt to pass an informed judgment on what justification may exist for so large an increase. The purpose of this hearing is to ascertain what justification, if any, exists—and to examine thoroughly the basis for this particular schedule of increases. In fairness to those who must pay, Congress should make certain that any projected fee schedule is both reasonable and warranted.

This hearing should examine the subject of grazing fees in all of its ramifications, not only from the aspect of the impact of the increase upon the livestock industry in the Western States, but also from the public interest, for the public interest is also involved. Many of these lands are also used by the general public under multiple-use manage-

ment principles, as I am sure will be brought out in the course of the testimony.

It has also concerned me, and other members of the subcommittee, that the decision to implement the increase in grazing fees was made in the closing days of the last administration, and before the new Congress could have time to more thoroughly examine and pass upon the proposals.

I will not attempt to background the chronology or the study which culminated in the regulations of January 14, 1969, but will leave that to the administration witnesses who are here today.

In conclusion, let me point out that we have a very long list of witnesses. Although we have scheduled 2 days of hearings, and I want to be sure that everyone is heard, there may be some witnesses who will wish to summarize or submit their testimony for the record, where it will appear as if read.

Since we do have many witnesses this morning, I suggest to the committee that we proceed right away to our witnesses, reserving such opening statements as members of the committee might like to make to the time they commence their questioning.

Our first witness this morning is the senior Senator from Utah, Mr. Wallace Bennett.

STATEMENT OF HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

Senator BENNETT. Thank you, Mr. Chairman. I appreciate the opportunity to appear before this distinguished subcommittee this morning in opposition to the new schedule of grazing fees on forest and BLM lands.

I am deeply concerned about the effect these increases will have on our western economy. Over the next 10 years the grazing fees on Forest Service land will increase by an average of 250 percent and on Bureau of Land Management lands an average of 375 percent. A fee policy such as this can only speed up the rate at which ranchers leave the industry, since many livestock operators are hanging on the brink of bankruptcy now because agricultural prices have not kept pace with inflationary trends.

Agricultural economists at Utah State University have made extensive studies on the costs of ranching, cost comparisons between grazing on comparable public and private lands, values of grazing permits, et cetera, over the past decade. I have a copy of one of these studies here and if the committee would be interested in the data, I would be happy to offer it for the record at this point.

Senator CHURCH. Very well. If there is no objection, it will be accepted and made part of the record at this point.

(The study referred to follows:)

POSITION STATEMENT ON CURRENT GRAZING FEE ISSUES AND PROBLEMS

(By Darwin B. Nielsen and N. Keith Roberts,¹ Department of Agricultural Economics, Utah State University)

The Secretaries of the U.S. Departments of Agriculture and Interior have announced their intention to raise fees charged ranchers for permits to graze

¹ Assistant Professor and Professor in Agricultural Economics and the Economic Research Center, Utah State University, Logan, Utah.

public lands. This fee policy, if implemented, will have a serious negative economic impact on ranchers and their communities in Utah as well as in all the western states. It does not consider the annual income that will be lost by ranchers, the loss in capital assets owned by ranchers, nor the depressing affect on community and state economics.

For 10 years resource economists at Utah State University have advised the land management agencies not to raise fees until they adequately studied the welfare implications of such action on ranchers, ranch communities, and public land management. This statement is a summary of our analyses of the anticipated economic impact of the grazing fee raise as announced.

RANCHER INVESTMENT IN GRAZING PERMITS

Grazing fees on public lands have been of concern to resource economists at Utah State University for the past 10 years. Studies have been made to determine the value of forage produced on public lands. Through this research it was determined that the total costs of grazing comparable public and private rangelands were statistically equal in Utah. The equality exists if permit values which are owned by ranchers and bought and sold in the market are recognized as a legitimate cost of ranching. Under the conditions fee increases are not warranted. The two Departments refuse to recognize the reality of the permit value in the present situation; hence, they justify a fee raise.

Rancher capital losses

The U.S. Forest Service and the Bureau of Land Management in the past have set grazing fees by formulas. The formulas have had little relationship to the real-world supply and demand for range forage. As a result, the public forage was underpriced. During 30 years for the BLM and much longer for the USFS, permits to graze the public land have taken on values over the fees charged. Ranches have changed hands, and permits for public grazing have been sold along with other ranching assets at market prices. Practically everyone in Utah knows what a permit is worth to ranchers. Permit marketing has been tolerated by the management agencies for these many years. The present generation of ranchers own an asset tied to the public ranges with a value for an annual unit month of grazing almost equal to the value of an acre of privately owned range land with comparable productivity. Ranchers in Utah have considerable capital invested in permits (Table 1).

TABLE 1.—*Typical rancher investment in public land grazing permits and probably capital losses if fees are raised as announced, Utah*

| Ranch type and size | Rancher investment and potential capital losses in permits |
|----------------------|--|
| Cattle: ¹ | |
| 48 cows----- | \$ 5, 774 |
| 150 cows----- | 12, 882 |
| Cattle: ² | |
| 50 cows----- | 6, 640 |
| 150 cows----- | 21, 650 |
| 300 cows----- | 39, 850 |
| Sheep: ² | |
| 943 ewes----- | 11, 681 |
| 1,615 ewes----- | 14, 069 |
| 1,709 ewes----- | 17, 036 |
| 2,842 ewes----- | 34,676 |
| 5,370 ewes----- | 83, 921 |

¹ Ranches with USFS permits and private land.

² Ranches with USFS and BLM permits and private land.

Grazing fees are part of the cost of using public ranges. Therefore, an increase in fees would cause a decrease in the value of permits owned by ranchers. A fee increase as large as the one announced would reduce the permit value to zero. Ranchers would lose capital position at least equivalent to the figures in Table 1.

The national grazing fee study conducted by the Forest Service and the Bureau of Land Management (BLM) was based on the economic models developed by resource economists at Utah State University. The key issue in the grazing fee policy controversy is whether the Federal Government will recognize the permit value as a cost of doing business for the rancher. If the permit value is recognized there is no justification for fee increases because total costs of using public

and comparable private lands are statistically equal. Of course, society does not get paid the full value of the contribution public forage makes in ranching. However, society, through its agencies mispriced the resource in the first place and created the problem. Present day ranchers have bought permits at market prices as a capital asset just like land. Is it just to confiscate this asset now?

Ranch industry capital losses

Capital losses are by far the most important impact of a substantial fee increase. The announced increase will wipe out all permit values immediately after implementation. No rancher would buy a dead horse or even a dying horse. Current holders of permits will lose an average of \$14 per AUM invested in BLM permits and an average of \$25 per AUM invested in USFS permits the day the fee increase becomes a fact. Total capital losses for the ranching industry in Utah and the Western states are estimated in Table 2.

TABLE 2.—LOSS OF CAPITAL ASSETS, UTAH AND THE WEST

| Land class | Permit values | Capital losses (in thousands) | |
|------------|---------------|-------------------------------|-----------|
| | | Utah | West |
| BLM..... | \$14 | \$18,867 | \$165,000 |
| USFS..... | 25 | 14,392 | 178,000 |
| Total..... | | 33,392 | 343,000 |

IMPACT ON ANNUAL INCOME

Ranchers' annual net income will be reduced as a result of the announced fee increase (Table 3). Net income losses for these ranches do not appear to be exceptionally large. However, one must remember that these decreases in net income reduce family income. This is especially true for small ranches where the return on invested capital is very low (negative in most cases). Over 50 percent of Utah cattle ranches are small with 50 breeding cows or less. The increased cost will force these ranches out of business faster and hence increase the poverty problems.

TABLE 3.—*Typical rancher losses in annual net income resulting from the announced fee increase, Utah*

| Type and size of ranch: | Decrease in annual ranch income |
|-------------------------|---------------------------------------|
| Cattle: ¹ | |
| 48 cows..... | \$203 |
| 150 cows..... | 454 |
| Cattle: ² | |
| 50 cows..... | 224 |
| 150 cows..... | 742 |
| 300 cows..... | 1,383 |
| Sheep: ² | |
| 943 ewes..... | 451 |
| 1,615 ewes..... | 475 |
| 1,709 ewes..... | 576 |
| 2,842 ewes..... | 1,171 |
| 5,370 ewes..... | 2,836 |

¹ Ranches with USFS permits and private land.

² Ranches with USFS and BLM permits and private land.

Ranch industry income losses

An estimate of the aggregate loss of annual net income for all ranchers in Utah is shown in Table 4.

TABLE 4.—UTAH RANCH INDUSTRY ANNUAL INCOME LOSSES

| Land class | 1967 fees, per AUM | 1967 fee costs | Adjusted fees, per AUM | Adjusted fee costs | Income lost |
|--------------------------------|-----------------------|-------------------|---------------------------|-----------------------|----------------|
| Bureau of Land Management..... | \$0.33 | \$445,000 | \$0.70 | \$943,000 | \$498,000 |
| U.S. Forest Service..... | .65 | 378,000 | 1.23 | 715,000 | 337,000 |
| Total..... | | 823,000 | | 1,658,000 | 835,000 |

COMMUNITY ADJUSTMENTS

When ranchers have a decrease in annual income they spend less and the rest of the economy suffers a loss of economic activity. This could run as high as double the initial loss of rancher income in Utah or about \$1.7 million a year.

In summary, Utah ranchers would lose about \$835,000 in annual net income. Their capital losses would be about \$33 million. In addition, community losses could reach \$1.7 million in annual income per year in the secondary sectors of the economy. On the plus side for Utah, county revenues from fees returned would increase about \$209,000 and Federal revenues would increase about \$626,000 per year. As these county and Federal funds are spent there would be some benefits in the secondary sectors of the economy. However, it is unlikely that the Federal funds would be spent in the rural areas where they were collected. In addition, there probably would be a considerable loss in overhead as the funds go through government channels. Also, the drop in ranch prices could reduce the county and state tax base for the affected areas. Thus, the income redistribution of the announced fee increase will have significant negative impact on ranchers and their communities.

RURAL WELFARE CONSIDERATIONS

Ranchers leaving the industry

Can an industry that is already depressed by increasing operating costs and low rates of return on invested capital absorb these kinds of income and capital losses? A fee policy such as the one proposed can only speed up the rate at which ranchers leave the industry. Western Regional ranch studies have determined that even large ranches seldom return more than 3-5 percent on the capital investment, and small and medium ranches return less than 3 percent and many times even negative rates of return on capital invested.

Government program conflicts

The Federal government is sponsoring programs which are in direct conflict with each other. Millions of dollars are being poured into rural areas to alleviate poverty conditions. The 4-Corners Economic Development Commission is a good example of one of these programs. On the other hand, policies such as the one on grazing fees can only intensify the poverty conditions in rural areas in the West.

Recreation competition

It is often said that public lands are needed for recreation use. Recreation use is important. However, a very small percentage of the total public domain is held exclusively for this purpose. It has yet to be demonstrated that recreation and livestock grazing are not compatible on public lands except for a few intensive use recreation areas. The vast majority of our public acres will produce no economic gain if the forage is not harvested by animals. The opportunity cost for grazing this renewable resource is zero in many areas. All people would lose as the cost of meat and wool would go up if livestock could not harvest the forage on public lands.

Range management

As fees go up on public grazing, ranchers can react in several ways: (1) they can give up their permits on public lands. (2) they can pay the increased fee. (3) they can pay the increased fee and try to cut costs of operating on these lands. As ranchers try to cut these costs the range resource will suffer. Ranchers will become less willing to perform the required management functions. They will be less willing to invest private capital to make needed improvement on the public lands. There is also the possibility that a fee increase could cause ranchers to put increasing pressures on State Fish and Game Departments to compensate them for big game grazing on private lands (the most crucial winter ranges for game in many areas).

Ranch stability

How does the proposed fee policy fit in with the position of the Federal agencies who are supposed to "stabilize the livestock industry"? When grazing costs on public and private rangelands are equal, and the rancher has no permit value to tie to, he has little more tenure than an annual lease provides in the use of Federal lands. Thus, incentives are destroyed for initiating long-run management programs.

Grazing permits have value

There are many instances where the Federal Government has recognized the value of the grazing permit. The Forest Service and the BLM have known about it and gone along with the sale of permits among ranchers. They have allowed permit waivers to be given to lending agencies who loan money to ranchers with permits as collateral. Ranchers have been paid the *market value* of their permits when reclamation projects have caused changes in land use. The Internal Revenue Service allows the loss of grazing permits to be written off as capital losses. The Department of Defense has paid for permits ranchers lose when a military base has been established.

Ranchers groups need to gather all available data where the Federal Government has recognized the permit value. This evidence should be documented so that it is not just pushed aside as rumor. If the livestockmen can establish the fact that the permit value is recognized by the government as an asset and a legitimate cost of doing business, then there is no justification for fee increases. The data gathered in the fee study indicates little if any fee increases are justified if ranchers are allowed 3-6 percent on the money invested in grazing permits.

Rancher savings and retirement programs

The welfare aspects of a large fee increase are far reaching. The present generation of ranchers are the ones that will lose most. The next generation will pay a reduced price when it takes over the ranches. In some parts of the West ranch values contain all the family savings of a lifetime. To wipe out the retirement programs for people is certainly not wise. The counter flow of "poverty" money is inevitable. A solution is to compensate the present generation for the loss of capital assets then neither generation need suffer unduly.

APPENDIX

This has been a brief summary of a rather complicated analysis which has been going on for many years. If more detail is desired, we would be happy to provide it. Also, some of the following publications are still available.

A Few of the Staff Publications on Grazing Fee Problems

1. Roberts, N. K. and E. Boyd Wennergren, State Land Management Problems—Present Status and Fee Setting Systems, *Economics of Acquiring and Managing State Lands for Surface Uses*, Report #1, Dept. of Agr. Econ. Series 61-1, Dec. 1960.
2. Roberts, N. K. and E. B. Wennergren, State Land Management Problems—Present Status and Fee Systems, *The Economics of Acquiring and Managing State Lands for Surface Uses*, Statistical Suppl. to Report #1, Dept. of Agr. Econ. Series 61-1—Suppl., March, 1961.
3. Wennergren, E. Boyd and N. K. Roberts, Decision Making Criteria for Maximizing Returns to Federal Grant Lands, *Journal of Farm Economics*, December, 1961.
4. Roberts, N. K., Managing Private Lands in Relation to Changing Uses of Public Lands in the Land and Water Use, *Proceedings*, Amer. Assoc. for the Adv. of Sco., 1961.
5. Roberts, N. K. and E. Boyd Wennergren, Acquiring and Managing State Lands—Summary, *The Economics of Acquiring and Managing State Lands for Surface Uses*, Dept. of Agr. Econ. Series 62-6, March, 1962.
6. Roberts, N. K., *Economics of Grazing Fees on Public Ranges*, USDA-BLM Agency #15055-62, 1962.
7. Gardner, B. Delworth, Transfer Restrictions and Misallocation in Grazing Public Range, *Journal of Farm Economics*, Feb., 1962.
8. Gardner, B. Delworth, A Program to Stabilize Livestock Grazing on the Public Lands, *National Wool Grower*, Nov. 1962.
9. Caton, D. D., N. K. Roberts, et al., *Economic Relationships of Grazing Fees and Permitted Use of Public Rangelands to Net Income of Western Livestock Ranches*, USDA-ERS Admin. Report, 1962.
10. Gardner, B. D. and N. K., Roberts, Government Policy and the Beef Industry in the West, *Proceedings*, Nat. Beef Conf., Iowa State Agr. and Econ. Adjust. Center, 1962.
11. Wennergren, E. Boyd and N. K. Roberts, *Federal Grant Lands in Utah—Management Alternatives for Maximizing Economic Returns to Surface Uses*, Utah Agr. Exp. Sta. Bul. 437, Jan. 1963.

12. Roberts, N. K. and E. Boyd Wennergren, *The Economics of Selecting and Administering State Lands for Grazing Use*, Utah Agr. Exp. Sta. Bul. 443, May 1963.
13. Roberts, N. K. and E. Boyd Wennergren, *Grazing Fees as Revenue from Federal Grant Lands*, *Utah Farm and Home Science*, Dec. 1963.
14. Roberts, N. K. and C. K. Gee, *Cattle Ranches Using Public Ranges the Year Long—Economic Adjustments to Fee and Permit Changes*, Utah Agr. Exp. Sta. Bul. 440, 1963.
15. Roberts, N. K., *Economic Foundations for Grazing Use Fees on Public Lands*, *Journal of Farm Economics*, Nov. 1963.
16. Gardner, B. Delworth, *A Proposal to Reduce Misallocating of Grazing Permits on Public Range Lands*, *Journal of Farm Economics*, Feb. 1963.
17. Wennergren, E. Boyd, *Valuing Non-Market Priced Recreational Resources*, *Land Economics*, Aug., 1964.
18. Wennergren, E. Boyd, *The Value of Recreational Resources*, *Proceedings*, WAERC Range Res. Com. Report #6, 1964.
19. Roberts, N. K. and B. D. Gardner, *Livestock and the Public Lands*, Utah Historical Quarterly, Summer 1964.
20. Wennergren, E. Boyd and N. K. Roberts, *Determining Special Use Fees on Federal Grant Lands*, Utah Agr. Exp. Sta. Bul. 452, April, 1965.
21. Wennergren, E. Boyd and N. K. Roberts, *Pricing Special Uses of State Lands*, *Utah Farm and Home Science*, Sept. 1965.
22. Roberts, N. K. and Mardell Topham, *Discovering Grazing Values*, Dept. of Agr. Econ. Series 65-3, 1965.
23. Jensen, Bartell C., *Determining Grazing Fees on National Forest* (preliminary report, U.S. Forest Service), 1965.
24. Wennergren, E. Boyd and Lois M. Cox, *State Land and School Finances*, *New Mexico Business Review*, Nov. 1965.
25. Roberts, N. K. and Lois M. Cox, *Public Land and Social Costs*, *New Mexico Business Journal*, 1965.
26. Nielsen, Darwin B., *Potential Impact of Alternative Grazing Fee Adjustments on the Livestock Industry of Utah* (Preliminary Report, U.S. Forest Service), 1966.
27. Gardner, B. Delworth, *The Effects of Resource Policies on Income Distribution*, *Journal of Farm Management*, Dec. 1966.
28. Gardner, B. Delworth, *Public Responsibility in Use of Natural Resources*, *Future Use of Utah's Public Land Resources*, *Technical Proceedings*, Utah Chapter Soil Conservation Society of America, 1-10, January 1967.
29. Gardner, B. Delworth and Darwin B. Nielsen, *Can Recreation Save Ranching*, *National Wool Grower*, December 1967.
30. Nielsen, D. B., *Economics of Range Improvements—A Rancher's Handbook to Economic Decision Making*, Utah Ag. Exp. Sta. Bul. 466, April 1967.
31. Nielsen, D. B., *Range Role in Enterprise and Institutional Organization of Ranches*, *Proceedings* West. Agr. Econ. Res. Coun. Com. on Econ. of Range Use and Devel., Report #8, 1967.
32. Nielsen, D. B., *The Potential Impact of Alternative Fee Adjustments* Special Report, Ag. Econ. Series 67-1, 1967.
33. Roberts, N. K., *Discovering Grazing Values*, *Journal of Range Management*, 1967.
34. Wennergren, E. Boyd, *Surrogate Pricing in Outdoor Recreation*, *Land Economics*, Feb. 1967.
35. Wennergren, E. Boyd and N. K. Roberts, *Managing State Lands: Some Legal-Economic Considerations*, *Natural Resources Journal*, April 1967.
36. LeBaron, A. D. and T. Glover and R. Marasco, *Management Alternatives for Pinyon-Juniper Woodlands, Part B*, *Economics of Pinyon-Juniper Management*, Special Report, Bur. Land Mgt.—Utah Ag. Exp. Sta., March, 1967.

Senator BENNETT. The Utah State University study is based on the contention that grazing permits are capital assets. Current permit holders in Utah have invested an average of \$14 per animal unit month (AUM) in Bureau of Land Management (BLM) permits and an average of \$25 per AUM in Forest Service permits. If the cost per AUM permit price were capitalized as part of the public lands operation, the costs of grazing per AUM on the public lands would

equal or exceed the costs of grazing on the private lands, without the fee increases and, therefore, there would be no justification.

Utah's ranchers graze 279,547 cattle and 1,416,362 sheep on Forest Service and BLM lands. Even with the present grazing fee schedule in operation, western regional ranch studies have determined that large ranches seldom return more than 3 to 5 percent on the capital investment, and small and medium ranches return less than 3 percent. As we all know, there are many ranchers who have even negative rates of return on their capital.

U.S. studies indicate that increased grazing fees schedules would result in an annual net income loss to Utah ranchers of \$835,000, and assuming grazing permits have capital value, their capital loss would be about \$33 million. In addition, the secondary sectors of the economy, community losses could reach \$1.7 million in annual income per year. Also, the drop in range prices could reduce the county and State tax base for the affected areas.

In Utah the investment in the cattle industry ranks second only to investment in mines. In addition, in most areas the cattle industry is the largest single industry. As I am sure most of the committee is aware, most of the public grazing areas in the west are unsuited for any other purpose because of lack of water or poor soil.

The western range livestock industry cooperated fully with the Forest Service, Bureau of Land Management, and Bureau of the Budget's 2-year study in order to establish a grazing fee formula that would get away from the constant threat of arbitrary rule changes.

The ranchers agreed to abide by the survey results reflecting the total costs of operation on public lands, and the true economic facts revealed clearly that permittees have generally been paying the full market value for forage.

The Public Land Law Review Commission currently is studying fees and charges on public lands. The results of those studies will be available June 30, 1970, and until that time, it seems to me, no new radical fee changes should be made.

Mr. Chairman, I am sure your committee will carefully and impartially weigh the testimony given here to determine the effect of these increases on the economy of sheepmen, cattlemen, and the many western communities that depend on livestock production. I earnestly hope you will initiate action to rescind the increases, or at least suspend them until after the Public Land Review Commission report has been available for study and analysis.

Thank you very much, Mr. Chairman.

Senator CHURCH. Senator Bennett, when was the study made by the University of Utah?

Senator BENNETT. November 1968.

Senator CHURCH. It was made following the announcement of the new schedule by the Department of the Interior?

Senator BENNETT. In my understanding, the schedule was announced in January 1969, so this was made in anticipation—I am sure it was generally known that the schedule was under—

Senator CHURCH. But, it was made—

Senator BENNETT. Yes. It was made following the announcement that such a change was being studied.

Senator CHURCH. And the conclusions reached by the university were that no change was presently justified?

Senator BENNETT. As I said, the university included in its assumptions that the permit had some value. They made a study of the prices at which permits had changed hands, of the collateral value that had been allowed by banks on permits, and they assumed that these permits did have a value on the basis of practice, if not of agency determination. And it was on that basis that they estimated a loss of \$33 million to the ranchers in Utah if these fees were allowed to stand.

Senator CHURCH. Any questions, Senator Anderson?

Senator ANDERSON. Only one question now. It says here a fee policy such as this can only speed up the rate at which ranchers leave the industry. Do you know of a rancher who has left the industry because of the increase?

Senator BENNETT. In Utah, and I think it might be happening in New Mexico, many men have sold out because, with the reduction in allotments on the public lands, their ranches have no longer been viable and when you put the fee increase on top of that, I am sure there will be still more.

Now, this is resulting, in part, in reduction in the number of animals that are being grazed and in part in the concentration of the grazing in the hands of larger units. These little home-operated ranches are being closed down and the people who operated them are moving into the Salt Lake Valley to try and find work.

Senator ANDERSON. I just wanted something on that item. You say fee policy speeds up the rate that ranchers leave the industry since livestock operators are hanging on the brink of bankruptcy. I have not seen anybody hanging on it.

Senator BENNETT. I will be very happy to try and supply the committee with specific details and numbers. I think they might be in the report of the USU. I have not examined it that closely.

Senator CHURCH. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Senator Bennett, what percent of the area of your State is federally owned?

Senator BENNETT. Seventy-four percent.

Senator JORDAN. Seventy-four percent is federally owned. That would leave 26 percent in private ownership and subject to ad valorem taxes?

Senator BENNETT. No. 26 percent in combined private and State ownership.

Senator JORDAN. State and some local.

Senator BENNETT. Yes.

Senator JORDAN. Do you know the amount of the 26 percent that is available for ad valorem taxes in your State?

Senator BENNETT. My guess is it is less than 20, but I do not have the specific figure.

Senator JORDAN. Thank you. That is all.

Senator CHURCH. Senator Bible?

Senator BIBLE. Senator Bennett, one question directed to page 2 of your statement where you say the increased grazing fees would result in an annual net income loss to Utah ranchers of \$835,000. How was that computed?

Senator BENNETT. This figure is contained in the study of the USU, which I have put into the record so the committee using that study can get an answer to your question. Again, I am not intimately enough acquainted with the basis of the study to tell you exactly how the economists arrived at that figure, but there is a table in the study which details it.

Senator BIBLE. So that figure comes directly from the final conclusions and study of the University of Utah. You told me that was dated November 1968?

Senator BENNETT. Yes. My impression is that that represents the increase in the fees.

Senator BIBLE. But I mean, how much of the increase in fees, the proposed 10 years or just the first year or—what I was interested in is what are the ingredients to make up the \$835,000?

Senator BENNETT. I handed my copy of the study in. I do not have it. But it is in your hands and I am sure the study would contain that. I will check it when I get back to the office, see if I can get another copy, and if necessary communicate with the economists to make sure.

Senator BIBLE. The study may very well answer my question, but I do not have the benefit of having read the study and I was wondering how the figure was arrived at.

Senator BENNETT. I assume that it represents the increase in the fees. They say an annual net income loss. Now, whether it is the increase in the first year or the average of the 10, I am not prepared to say.

Senator BIBLE. Well, the study would speak for itself. Thank you, Mr. Chairman.

Senator CHURCH. Senator Hansen?

Senator HANSEN. I have no questions, Mr. Chairman.

Senator CHURCH. Senator Moss?

Senator MOSS. Thank you, Mr. Chairman.

Is it not a fact that the rural counties of Utah have been losing population for 10 or 15 years, at least, and one of the factors is that there has been a decline in the livestock industry where that is the basic income for these rural counties?

Senator BENNETT. There is no question about that, and it goes back a lot further than 10 or 15 years. I think it has been going on for at least 25 years or maybe more. And since the livestock industry is the main agricultural industry in these agricultural counties, the decrease in the number of animals being grazed has been a very vital part of this loss of population. It is not only the fee problem but as I said earlier, the constant drive to reduce the number of animals that are allowed to graze on the public domain.

Senator MOSS. I was seeking confirmation of your statement that many of our ranchers were on the verge of bankruptcy and that this would push many of them over the brink if the fee increase were put into effect now.

Senator BENNETT. And it is in these smaller counties with much more than 74 percent of their land in the hands of the Federal Government that are having a terrific struggle to maintain themselves economically.

Senator MOSS. Thank you, Senator.

Senator CHURCH. Senator Hatfield?

Senator HATFIELD. Mr. Chairman, Senator Bennett, on page 1 of your testimony, at the bottom of the page, you make some comments as to the difference between the large, the small and medium-sized ranches. Would you give us a general estimate as to the overall ratio between what you would call large ranches in Utah and the small and medium-sized ranches?

Senator BENNETT. Well, in terms of trying to estimate the number of sheep and cattle that would be grazed by the large corporate ranchers as compared with the single family operation, I would have to get that for you. I have the impression that, in terms of total cattle and sheep numbers, the numbers being handled by the large corporate ranchers is substantially more than half, but in terms of the effect on the economy of these small counties.

Senator HATFIELD. Would you say, then, that such a fee increase would tend to drive again from our economic picture the small and medium-sized operator and even make it difficult for the large operator to remain, but at least having the impact of further diminishing the role of the small and medium-sized operator?

Senator BENNETT. I think it would have a much heavier impact on the small operator, who is undercapitalized always, to start with.

Senator HATFIELD. So that the potential bankruptcies would hit that group obviously harder than the large operators.

Senator BENNETT. That is right. I am interested to observe that some of the larger corporate ranchers are moving to Australia and New Zealand. They have the capital with which to transport, but the little man, who has a small ranch in a small rural community, a small home ranch which he cannot sustain without permits, is helpless in the face of these added pressures.

Senator HATFIELD. And do you not view this type of trend as a dangerous one in our country?

Senator BENNETT. Very serious.

Senator HATFIELD. Whether it is in the cattle industry or any other part of our economic—

Senator BENNETT. It is very serious, particularly in a State such as Utah, where so much of the land is, by eastern standards, barren, and the terrain is very difficult and very rugged. There just is not any use you can put that land to if you cannot graze cattle and sheep.

Senator HATFIELD. Thank you, Mr. Chairman.

Senator MOSS. May I volunteer a word on the size of ranches, and this is taken from the report the Senator referred to. Over 50 percent of Utah's cattle ranches are small with 50 breeding cows or less. So we are talking about more than 50 percent, and the degree of size here set by the writers of this report is 50 breeding cows or less.

Senator BENNETT. I appreciate that information.

Senator CHURCH. Senator Metcalf?

Senator METCALF. Thank you, Mr. Chairman.

As a long student of this question of grazing and grazing permits, use of our natural resources in various multiple uses, I just cannot let go unchallenged your statement that grazing permits are capital assets. Senator, I know that you have pointed that out from time to time, and the Forest Service, the Bureau of Land Management, and other governmental administrative agencies have partially recognized this, but everytime this matter has come before the Congress of the United

States we have rejected this proposition that permits are anything other than permits. I just do not want to go by and acquiescing without challenging, at least as far as this Senator is concerned, that statement.

Senator BENNETT. Senator, I should have indicated that the study was based on that assumption, the study that produced the figure of \$33 million capital loss. I did not make the study.

Senator METCALF. I know that it is a matter of practice when ranches are sold that a part of the price paid is the value of the grazing permit under the Taylor Grazing Act, the use of public lands, but the Congress has never recognized that that permit is anything other than a permit, and many of us have tried to keep people informed that maybe some day a higher public use would be found for that land and the permit would be used for something else and is subject to withdrawal.

Senator BENNETT. I am not a lawyer, but are we not involved here in a problem that is contained in the phrase *de facto de jure*. By law is has no capital value, but the private citizen has to pay out capital to acquire it.

Senator METCALF. Well, he is put on notice, I believe, by frequent statements. I want to put him on notice today, as far as I am concerned, that I do not believe the estoppel would run against the Federal Government. I just want to pursue some of the discussion for just a moment that Senator Hatfield opened up and you opened up. As a matter of fact, three-fourths of these permits are held by less than 12 percent of the stockowners, and are not those basically the larger stock operators?

Senator BENNETT. Well, I think I tried to indicate that we have both types in Utah.

Senator METCALF. Well, we have both types in Montana but the huge majority of the people who operate and enjoy the grazing permits on public lands as a result of grandfather clauses, and so forth, are the earlier, the larger, and the wealthier operators.

Senator BENNETT. Well, these operators also have been developing through the years as the little fellows have found it either uneconomic or for some reason or another have decided to withdraw. They find somebody who can buy their permit and their herd and their ranch if they are fortunate, and they have to go to the larger operators. So, I think this is a case where the big have been getting bigger as the little ones have disappeared.

Senator METCALF. I think that is true, and as a matter of fact, when someone wants to start in an operation he has to go out and rent private land or State-owned land or maybe Indian land at a much higher grazing fee and compete with these established operations; is that not true?

Senator BENNETT. Well, or else he has to buy from a man who already has a home ranch and, instead of renting, if he has the adequate credit, he can buy a home ranch which forms the basis for his permits on the public domain.

Senator METCALF. I know that both of us are trying to grope for a solution of this whole question.

Senator BENNETT. That is right.

Senator METCALF. And I am glad to have had you here and I know that we are going to work together and I will direct some of my other questions to the people—

Senator BENNETT. To the Department.

Mr. Chairman, I would like to make just one other comment and fortify what I said earlier. The little fellow is stuck. The big man, if he can liquidate his holdings, is going to Australia and New Zealand, where it costs a lot less to grow the animals and he makes a much higher profit out of it. So one of the effects of this, one of the collateral effects, may be the actual reduction in the size of the American meat-producing industry. And this is an equally serious problem.

I appreciate the opportunity to visit with you this morning. Thank you.

Senator CHURCH. Thank you very much, Senator Bennett.

Our next witness is Senator Gale McGee, from Wyoming. Senator McGee.

STATEMENT OF HON. GALE W. MCGEE, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator MCGEE. Mr. Chairman, as a visitor from other committees, perhaps the Chair will permit me to observe that this is an amazing turnout for a hearing and not a TV camera in the room. It seems to me, in some of the committees I belong to, TV cameras sometimes are necessary to induce turnout. I think this is a reflection on the significance of this question, on the dedication of the members of the committee. I want the record to show that this many Senators were here at the hearing without the other sometimes common inducements that are introduced.

I want to comply with the chairman's request, in view of the long witness list, to make this brief. I would ask that my statement, Mr. Chairman, be carried in the record in full, if that is permissible.

Senator CHURCH. Yes. Without objection, that will be done.

Senator MCGEE. And I will select from it just a couple of points.

First of all, to say that when this warning announcement was made last fall, many of us sought to secure a delay. I for one, did for a very basic reason. I felt it was wrong to proceed on the fee increase issue separate from the many other rather critical issues in the area of public land policy. I felt we could treat them with greater perspective if they were treated in a larger measure. I hated to see this precipitous move in this way, the singling out of the fee increase.

Now, it has been my impression in visiting with a great many of our Wyoming ranchers that no one objects really to carrying their fair share of this business. They are in search of equity on it. They do not want to be drones on the public marketplace in any way. It is a matter of arriving at a position of equity, and I think that the earlier colloquies have made very clear that it is an additional turning of the economic screws in many of our livestock units.

It is obvious that the very large operators will be able to roll with this, and the very small ones will not. I do not know of many that are going to go bankrupt in Wyoming, because they are a little smarter than that. They will sell first if they can. They are going out of the business. This is the trend that Senator Bennett and Senator Moss alluded to here. They are going to town to see if they can find some way of making it. But the steady fixed costs to which this would be added just make it an unecomonical pursuit, and it certainly would be

another factor in driving out the consideration of some of the younger blood in our agricultural industry of venturing in this direction at all. But the particular focus of my testimony this morning has to do with the question that Senator Bennett and Senator Metcalf were already discussing here, and that is injecting this new factor or this additional factor—it is not new—of allowing for the costs and the value, the market value of the permit itself.

I am mindful of the limitations that that suggests. I know of some of the fears that is in it and I know the history, the record of the Congress on this. It seems to me that we could be very specific in approaching this, in making sure that under no interpretation by a lawyer or any other process, that this could be translated into a property right. This is the abuse that has been practiced, incidentally. A good many get the permits and transfer them family to family long enough so that they would like to acquire a property right out of it. This belongs to them. We have to make it clear that these are public lands and public leases in the public interest. But, I think that line could be drawn firmly. And I think we only fly in the face of the facts of the marketplace when we omit from the calculation of the allowances for the rates of the fees, the level of the fees, this sheer fact of the cost of securing a permit. It has a value on the marketplace.

The testimony I am sure you will receive from the expert witnesses this morning will pin those costs down. But for that reason I think it is one of the moves in the direction of a more equitable adjustment that this also be allowed with the proper safeguards drawn around it in the wisdom of the committee and the Congress. But unless we do this, and accept other suggestions that are pending before this committee, we are going to increase the tendency that is now underway to repose these in the hands of larger and larger operators at the expense of the smaller and smaller ones.

I would add that there two kinds of people coming into our State, and I assume other States, in the wake of this economic pressure. One is the very much larger corporate type that can stand an increase, but the other is often the type that goes into it deliberately to lose. They could not care less what the charges are. They are looking for the loophole that lets them write it off and they save other income from other business they may be involved in. So, it is this element on balance that, in my judgment, commends the reexamination of this question, the efforts of the committee, to have a fresh look at it. And I want to add my voice to those who say that we must reexamine the very large picture. I would close with this personal advocacy of consideration to my bill which has been in since January, recommending that the cost factor in the permit itself be an allowable factor in the formula for arriving at the judgments in this long-range decision. And I would ask permission, Mr. Chairman, to insert in the record a very substantive letter from Mr. Walter Yose, Jr., the secretary-treasurer of the LaBarge Roundup Association, in which he spells out some of the other considerations that perhaps have some equitable substance to them in this overall calculation. And with that short statement, Mr. Chairman, I will conclude my comments.

Senator CHURCH. Thank you very much, Senator McGee.

(The letter referred to follows:)

LA BARGE ROUNDUP ASSOCIATION,
LaBarge, Wyo., February 11, 1969.

Hon. FRANK CHURCH,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: We have noticed in the recent news media that you are conducting hearings on the recent price increase on grazing the federal ranges. The announced dates for this hearing are Feb. 28 and 29.

On December 6, 1968 on behalf of the LaBarge Roundup Association, I wrote letters to Secretary Udall and Secretary Freeman expressing our views on the price increase on grazing the public lands. Copies of these letters were sent to our congressional delegation.

The members of the LaBarge Roundup Association would like to restate these views plus further information that we have gathered through a little research.

(1) The permit price on the Bureau of Land Management is \$14.41 and on the U.S. Forest Service is listed as \$25.35. These two agencies do not recognize that these permits have value. However, the Bureau of Internal Revenue certainly recognizes that these permits have value and uses this value in computing value of estates in assessing inheritance taxes. The statement was made to one of the permittees that what one arm of the federal government doesn't recognize the other arm does. Permittees use their permits as collateral in borrowing money.

We do note that Senator Gale McGee has entered an amendment to the Taylor Grazing Act rectifying this situation.

(2) The Western Livestock Survey was taken in the spring of 1966 in our area. The facts given in that survey were based on the records of the users for 1965. The LaBarge Roundup Association records shows that our expenses since 1965 have risen 46.5 percent. This cost increase is due, in part, to the new range management allotment program that we have entered into with the Bureau of Land Management. Very little is known on how much this program will cost the permittee. The 38.3 percent cost increase on the U.S. Forest Service lands is primarily due to the inflationary trends such as increased wages.

(3) It is noted that the survey did not take into consideration the pounds of beef produced on public lands versus that of private pastures. In checking our area the pastured cattle are from 25 to 50 pounds heavier than those grazed on public lands. This is due primarily to the quality of feed produced on public lands. Tests conducted by the University of Wyoming show that in the first part of the grazing season the range grasses are very washy and contain very little nutrients. A cow cannot hold enough to feed her properly.

(4) We can see in no place where the percentage of calf crop was taken and private pastures were compared with public lands, in the Western Livestock Survey. In our area, 70 to 75 percent calf crops are the rule on public lands and has been below 60 percent on adverse years. On private pastures this percentage consistently runs 90 to 95 percent. This is due to the rough nature of public land in most cases, and again nutriment enters into the picture. A cow doesn't breed back as well under the nutriments provided by the public lands in the first part of the grazing season.

(5) We can see no place in the Western Livestock Survey where the difference in the cost of breeding was not taken into consideration. On public ranges most stockmen run 5 bulls to the 100 head of breeding cows. Whereas on private pastures most operators use only 2 bulls to the 100 head which yield higher calf crops.

PUBLIC LANDS AND PRIVATE LANDS

| | Public | Private |
|-----------------------------------|---------|----------|
| Bulls at \$600 per head..... | \$3 000 | \$1, 200 |
| Cost of wintering..... | 2, 600 | 1, 040 |
| Total cost per 100 cows..... | 5, 600 | 2, 240 |
| Figuring using the bulls 4 years: | | |
| This cost annually is..... | 1, 400 | 560 |
| Cost per animal unit..... | 1.40 | .56 |

The bull turn-over is less on private lands but we couldn't get figures on this element at this time.

This chart is applicable to our area and would probably vary from place to place.

(6) In past years great many reductions were made on public lands in our area and from what we read in the news this happened in Idaho also. These cuts created increased demands for leasing private pastures thus forcing the price up on private pastures.

(7) The Western Livestock Producer has to contend with wild game to a great extent. In checking into this we have found that this amounts to 25 animal units on up on his private lands. Often it has been quite costly to the rancher. The Wyoming Fish and Game have fenced many stockyards of hay to help keep this cost down. To be fair it is thought by some that some sort of credit could be given. We realize that in part that this is a state problem.

In conclusion we would like to point out that the great majority of the livestock producers of the west are natural conservationists. We do not like to see the ranges pockmarked with indiscriminate oil locations and a hodgepodge of mining explorations with the resultant scars. We detest timbering that leaves piles of junk that are never cleaned up. We favor multiple use, but with controls such as are placed upon us. Many reductions have been forced upon the livestock producer by inept range managers and forest rangers. We have lived with these ranges for the most part all of our lives and we understand what they do in dry years and wet years.

We have regulated our herds and grazing to meet the weather conditions which affect the range conditions. There is no livestock man who wants to destroy or harm the range where he runs his cattle or sheep. Controlled grazing has been proven to be beneficial to watersheds.

We cannot understand why conservationist groups and others are so much against us. To be fully fair, a charge should be made to every rock hound who heads for the hills in search of precious and semiprecious stones or arrowheads as should the man with the snow machine or the motorcycle or the sandbuggy and on down a list that would include almost everyone who heads for the hills on his vacation or outing.

It just seems to us that more and more the government is really trying to kill off the small rancher and farmer with such things as higher interest rates and higher grazing fees while the price for his product he receives is quite low. I think that it is a tribute to the livestock man's ingenuity to stay in business. Most of us are in the business because we love it. It certainly isn't for the money. Believe it or not. It is quite a struggle to be in this business.

We hope that Congress will take the points that we have presented into consideration and will help curb what we feel is unreasonable fee increases. The method by which it was forced upon us was not even fair by the democratic processes of government.

Sincerely,

WALTER C. YOSE, Jr.
Secretary-Treasurer.

Senator CHURCH. I think you make a very strong argument that the cost factor of the permit is a part of the cost of doing business by those who are in the cattle industry, and use the public domain, even though the permit itself is not characterized by those attributes normally associated with property ownership. That is to say, it remains a privilege that the Government may reduce or may alter without the necessity of paying compensation.

However, is it not also true that the value of the permit is related to the grazing fee? In other words, if the grazing fee is substantially below that which a livestock operator would have to pay if he were dealing with a private owner, then does not that affect the value of the permit?

Senator McGEE. Oh, indeed it would and we would have to face that fact.

Senator CHURCH. And if the grazing fee were adjusted upward, would that not have the effect of reducing the value of the permit or the price operators would have to pay in the future to secure permits?

Senator McGEE. I would hesitate to venture a guess as to whether it would actually decrease it in view of the general trend of prices right now. It might tend to rise less rapidly than other prices in the field.

Senator CHURCH. My only point is that if the grazing fee were comparable with what a livestock operator would have to pay a private owner, then the special value of the permit would no longer exist, would it?

Senator McGEE. I do not agree with that. I think the special value would be there. I think the difference would reflect in what the relative market cost was or market value was. I am advised at the present time it is around \$14 or 15 per month. This has a real value.

Now, if this were to drop, it would have to be adjusted accordingly and I am sure it would have a relatively lesser value as the fees go up but I do not think it would disappear.

My point is, I do not think this is the way to regulate it. I think if you are going to regulate the leases and the terms under which they are parceled out and who gets them and under what terms, I think it ought to be forthright and not done indirectly in a way such as this, by ignoring or leaving out the factor of the cost of the permit. I think we ought to lay it all above the table and name it for what it is and then see where those costs come out. I think we would be guilty of less obfuscation all the way around if we could do it that way.

Senator CHURCH. Yes. Well, you certainly state a good case. Do you see a relationship, as I do, between the value of the permit and the schedule of the grazing fees?

Senator McGEE. Indeed so. I agree.

Senator CHURCH. I think that is evident.

Are there other questions?

Senator Anderson?

Senator ANDERSON. No.

Senator CHURCH. Senator Jordan?

Senator JORDAN. No questions.

Senator CHURCH. Any other member? Senator Bible?

Senator BIBLE. I just want to compliment Senator McGee. I think he knows Wyoming about as well as any man I have ever worked with, and I hope we continue to develop the point that Senator Metcalf made about a value on a permit.

Now, I know my cattle ranchers and stockmen reasonably well and I am sure their base property is largely supported by permitted rights of Taylor Grazing. If they did not have that right they certainly would not receive as much as if they did have it, and I am assuming it is generally true in all the Western States and I am sure it is true in Wyoming. You are very familiar with Wyoming country by your representation of it, very ably, I might say, and your work with the university there, before you came here. Does not the man who has a permit to go with his base property have more than if he did not have a permit?

Senator McGee. Yes. Indeed. I think it will always have a value in itself and is, therefore, part of the cost factor.

Senator BIBLE. That is my impression. Even though it is a permit, I think it is just an error in bureaucratic judgment and that is why I want to commend you particularly for introducing this bill. I hope

we can clarify this through your bill as well as other means. It is a very fine statement.

Senator McGEE. May I inject there, Mr. Chairman, that I am always a little inhibited about talking about these things in particular. I have never owned any livestock in my life. I was a professor of history and I have learned what little I know from my colleague who is the real expert in this business and when I sit here in his presence talking about the livestock business, it is always with a good bit of humility.

Senator CHURCH. Senator Hansen, that puts you on stage.

Senator HANSEN. Thank you, Mr. Chairman.

I am very pleased indeed that my colleague, the senior Senator from Wyoming, is here this morning. I can say that he speaks from a background of knowledge. I think he has made an excellent statement. There is much to ponder in his statement and I am sure that each member of the committee will gain a better, clearer, more incisive understanding of the situation as it pertains, specifically to Wyoming upon reading his statement in its entirety.

I think it is of considerable importance to point out that it is not the case as some may seem to think it is, that a rancher in economic distress just hangs on until finally the outfit becomes bankrupt and the sheriff sells the real estate and other chattels on the steps of the courthouse. What happens if precisely what Senator McGee has said happens. He gets out of the business and that is what has been going on. I would remind the members of this committee that the figures of the U.S. Department of Agriculture disclose that, since 1960, some 4,600,000 people have left the rural areas of America. This is of real concern to me just as it is to Senator McGee. Part of the problem of the large metropolitan areas of our country, I think, reflects a more basic and a longer existing problem of what has been happening in rural America, and to assume that we can disassociate the consideration of this problem from all of the problems of this country fails to take into account what the facts of life are.

Certainly, if we are going to reverse some of the trends that we deplore within the urban areas, we have got to look to the rural areas. I think I can speak with some first-hand knowledge when I say that the livestock business has not been a profitable business. As a matter of fact, I had to find outside employment to keep the outfit going.

Senator McGEE. They call that moonlighting around here [Laughter.]

Senator HANSEN. Well, anybody in the ranching business has done a lot moonlighting already. It is usually on the outfit. You cannot get it all done during the daytime. Certainly, it is true that the rancher now finds himself in an extremely critical situation and anything that adds to his costs just makes his ability to continue in business that much more difficult. I think this is what Senator Bennett was alluding to as Senator Moss questioned him on these extra costs. I would suspect that the Senator—the junior Senator from Utah—is precisely right, that that extra cost does reflect the extra payment that will result when the full increase, the full 10-year fee, and I am guessing on this point, is implemented.

Nevertheless, I would just like to say in concluding my brief remarks at this time that I appreciate the presence of my senior colleague here this morning. We have a very critical situation in Wyoming.

Back in 1960 the Census Bureau disclosed that we had around 330,000-some-odd people in the State of Wyoming. During the time I was Governor, about midway, midterm during this decade, we had fewer than that according to the estimates that were made by the Census Bureau.

They now tell us that we may expect to have gained back by 1970 what we had lost so that we will about even. When you consider the increase in population in this country, I think it is clear that the rural areas of America have not provided a sufficiently profitable place of employment to keep the people on the farms and ranches, and I want to compliment you for your very fine presentation here, my senior colleague.

Nothing further, Mr. Chairman.

Senator CHURCH. Thank you very much, Senator Hansen.

Senator Moss, any questions?

Senator Moss. I, too, commend the senior Senator from Wyoming for his very perceptive presentation of this matter and call attention to the fact that I have joined as a cosponsor on the bill to which he referred in considering the value of the permit and working out the formula. It seems to me that we do not need to get hung up on what it legally is, whether it is a permit or something that has value and, therefore, whether it has to be paid for by the Federal Government when it is withdrawn. But we are talking about setting the fee rates and the plain fact is that in the market it now has a value, and, therefore, in working out the formula we ought to consider the value. That is what I think the purport of the bill is in which I have joined, and I think that might help us bring this problem into focus where it can be debated. I compliment the Senator for his presentation here this morning and getting that before us so that we do not get off into whether or not we are going to make a big change in the legal status of a permit.

Senator McGEE. Well, coming from a lawyer, may I say that is strong language.

Senator CHURCH. Thank you very much, Senator Moss.

I might say at this point that I have received a letter from Senator Murphy of California, in which he takes a position similar to that that you have taken, Senator McGee. The concluding sentence of the letter is:

* * * Therefore, I urge the Subcommittee to do everything possible to bring an immediate halt to the new grazing fee schedule and to assure that any schedules which might be established to replace it in the future are based on all pertinent considerations, including permit values—

Which is, of course, basically the argument you have made here.

Without objection, this letter will be included in the record at this point.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., February 27, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee, Senate Committee on Interior and
Insular Affairs, Senate Office Building, Washington, D.C.

Dear Mr. CHAIRMAN: Since I am unable to appear in person to testify at your hearings regarding grazing fees on public lands, I am submitting my views in this letter with a request that they be considered during your deliberations on the

matter and that my communication be made a part of the record of your hearings.

First, I want to emphasize as strongly as possible that I support the general principle that the government should receive a full and fair market value for the products of its lands and that ranchers should, therefore, pay a fair fee for the privilege of grazing their livestock on public lands.

There seems to be a fairly general agreement on this principle but, as you know, there has been considerable controversy concerning what, in fact, is a "fair" fee for grazing.

I shall confine my comments in this letter to this particular point since I feel strongly that the injustice which was involved in the determination of the new grazing fees is so obvious and the need for remedial action is so apparent that the entire case can be argued primarily on this point alone, regardless of certain other economic and sociological aspects of the matter.

The facts are these. During the past few years, the Federal government made a comprehensive study of the costs involved in grazing livestock on public lands as compared to the costs on private lands. It apparently was a most thorough study in which our ranchers and a large number of our lending institutions cooperated willingly and fully with the government.

Questionnaires were analyzed. Facts were assembled. Figures were determined. So far, so good. Then, however, the government undertook to compare the cost figures from the public lands with those from the private lands, but in so doing they computed the costs of grazing on public lands without including the very important value of the grazing permits.

It has been said that the elimination of this factor resulted from a fear by the government that including the value of the permit would recognize a proprietary interest in the public lands. Frankly, that is as unrealistic an attitude as I have encountered in my entire Senatorial service, for regardless of whether or not the grazing fees have a relationship to the question of whether ranchers have certain rights or merely privileges, the fact remains that the permits themselves represent a very important and very real cost item, and all of the philosophizing in the world about whether they imply certain "rights" will not make the cost consideration go away.

If it is necessary to satisfy some bureaucratic nit-picker that grazing fees do not automatically carry with them any proprietary interests in Federal lands, let us make this clear, even through legislation, if necessary. In the meantime, however, let us demand that the unrealistic new fee schedule be withdrawn and that new computations be made, this time with the inclusion of the permit value.

This value is very real insofar as ranchers are concerned, I can assure you. It is very real insofar as lending institutions are concerned. It has been recognized by the Department of Defense, the Internal Revenue Service, and the Farmers Home Administration. To continue to ignore it, as has been done, is unrealistic and dishonest, and to continue to maintain the present fee schedule which was established without this important factor is irresponsible and unjust.

As I mentioned, other factors are involved in the consideration of the grazing fees issue, and they are quite significant and worthy of attention. However, it is my feeling that the issue can be settled satisfactorily if the question of permit values is resolved in the light of fact rather than fantasy, and therefore I urge this subcommittee to do everything possible to bring an immediate halt to the new grazing fee schedule and to assure that any schedules which might be established to replace it in the future are based on all pertinent considerations, including the permit values.

Sincerely,

GEORGE MURPHY.

Senator ANDERSON. Senator Montoya has introduced legislation—he unfortunately could not be here this morning—but he wants this statement put in the record.

Senator CHURCH. Very well, without objection, Senator Montoya's statement will be included at this point in the record.

(The statement referred to follows:)

STATEMENT OF HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Mr. Chairman. Senator Anderson. Members of the Subcommittee on Public Lands. Colleagues. I appreciate the opportunity to appear before you today

to testify on the crucial subject of increased grazing fees on public lands. I need not dwell on the fact that this is a subject of wide and justifiable concern.

You will hear expert witnesses today from the Department of Agriculture and the Department of the Interior, as well as witnesses from the livestock industry, conservation groups, and others who will discuss in detail various aspects of this matter. I will, therefore, not take the time of the Subcommittee to reiterate these details, nor attempt to cover ground which has or will be covered by other witnesses.

I would, however, like to express my own personal concern over the magnitude of the fee increases, and explain briefly the basis of my concern.

Before doing so, I would like to urge prompt action on legislation which is presently pending before the Subcommittee, and which addresses itself to this matter. One of the bills, S.1063, was introduced by me on February 18, to temporarily suspend the recent fee increases in order to give this Subcommittee, and the Congress sufficient time to study the matter. A second bill, S. 716 was introduced by our colleague from Wyoming, Senator McGee, and to which I am pleased to lend my support. S. 716 would direct the Secretary of the Interior to recognize the cost of the grazing permit involved when determining the amount of the fee to be charged.

Mr. Chairman, I think it is essential to emphatically state from the outset that permittees do not object to paying fair compensation for the use of public lands. There have been some invidious charges made in reference to "special interests"—charges which are untrue, unfair, and unjustified, and are made by a few strongly biased individuals who themselves do not fully appreciate or want to understand all of the facts. The permittees want to pay what is fair, and they want to make sure that all considerations are fully taken into account. Thus, the most important question pending is what is a "fair" fee.

I cannot over-emphasize the importance of the decision which this matter places before this Subcommittee and the Congress. The ultimate decision will have a very fundamental effect upon the future of a great segment of our overall rural economy. As we sit in review here today, let us not forget for one minute that a great migration from the farms to the cities is taking place . . . that we have depressed conditions in the livestock industry . . . that our government is undergoing a growing social awareness and becoming more conscious of the need to provide a favorable climate and the opportunities within which individuals can advance through self-determination.

At the same time, we are also confronted with a decision on the part of the Departments of Agriculture and Interior to move ahead at all costs with an increase in grazing fees which portend potentially serious consequences on these considerations. Indeed, in some instances there are fears—very real fears—that this action, coupled with other rising costs of doing business, could well be the final straw that breaks the camel's back. There is genuine concern that the consequences will drive even more farmers and ranchers away from their lands and rural communities and into the already over crowded cities teeming with social unrest.

Mr. Chairman, I would like to quote directly from a U.S. Department of Agriculture report, dated November 12, 1968, and entitled "Studies, Alternatives, and Recommendations on the Forest Service Grazing Fee Issue." The report states:

"The initial impact of a fee increase would be an immediate rise in the permittee's cost of production. The amount would be directly proportional to the number of AUM's (animal unit per month) permitted. The increased expense would lead to an equal decrease in net income, since ranchers' gross income would not change materially. The reduced net income would be reflected in lower ranchers' expenditures in the local community. The size of the impact would be magnified by the multiplied effect of these expenditures."

The report goes on to state:

"A fee increase plus the loss of the permit value would affect the ranchers and the lending institution in two ways. First, the increased costs without compensating returns would leave the permittee in a much weaker position to pay off his mortgage. Secondly, the loss of permit value would remove an asset previously used as collateral. In either case the permittee would experience difficulty in obtaining future mortgages. A loss of permit value now would leave many permittees with an outstanding debt for an asset that would no longer exist."

The report further refers to the fact that an increase in grazing fees will probably cause a decline in cooperative work in the National Forests. According to

the report, the Forest Service range permittees are presently contributing about \$1.3 million a year towards installation, construction and maintenance of federally-owned range improvements, and it concludes:

"If cooperative work declines, the Federal Government will bear the burden in some combination of the following ways: (1) increased appropriations for necessary range improvement construction and maintenance; (2) value of federally owned land will decline due to deteriorating rangeland and watersheds; and (3) declining or lowering rates of increase in fee collections due to decreases in capacity and use."

Mr. Chairman, these quotes in and of themselves give us much to ponder over. They bring us right to the core of matter under consideration; what will be the effect of this increase on the permittees, and can such an effect be economically and socially justified.

Mr. Chairman, we in New Mexico—as in other western states—have numerous cattle and sheep ranches, but only a few, if any, of which could be classified as large, corporate-type operations. I fear that these small-to-moderate sized operations may stand to suffer the most from these increases. I have requested detailed information on the permittees in New Mexico from both the Forest Service and the Bureau of Land Management. I want to know exactly who it is that is going to be affected, and to what degree? Will they be able to absorb the level of increase projected, or will this drive them off their farms?

From preliminary information, I have ascertained that a great number of New Mexico permittees are concentrated in the Northern portion of the State. This area is among one of the more under-developed parts of the country. It has no industry to speak of. There is tremendous unemployment. It is populated principally by Spanish-speaking residents who derive at best a meager living from the land. These people graze very few animals by-and-large—maybe five, ten, or—if they're lucky even 30 head.

In the Carson National Forest, for example, 31 percent of the permittees had permits for 1-to-5 head of livestock; 23 percent for 6-to-10 head; 13 percent for 26-to-50, and only 10 percent had permits for 50 or more head. These relatively few animals provide these people with milk and meat for their families, and a small residual income. I am greatly concerned about the effect of the fee increase on these citizens. Will it cause such grave hardships that it results in social problems of hunger . . . increased welfare rolls . . . and destruction of family life for these individuals?

I cannot foretell whether such results will occur in the immediate future, or in the next two or three years. But, I cannot help but believe that when the contemplated increases go into the fourth or fifth years—and certainly by the time the full increases take effect—the increased cost of permits for these individuals may be unduly prohibitive.

I do know from experience, however, that many problems have been created for these people of Northern New Mexico by Forest Service policies in the past. These past policies have shrunk the number and size of permits upon which a great many individuals have depended for their meager incomes. I have worked with these people and the Forest Service over the years to achieve an acceptable accommodation. I have found local Forest Service representatives in New Mexico to be most understanding and sympathetic of the problems involved. But, the policies have been set elsewhere, and many of the problems continue.

Now, we see another sizable burden placed on them through increased fees. I fully intend to make sure that Congress is well aware of what is happening. I will do all in my power to make sure the right decision is made—divorced from the day to day involvement in which some of these officials find themselves, and which may preclude their seeing the forest for the trees.

In short, Mr. Chairman, we have many economic and social considerations to weigh. We must make certain that the "fair" value that is arrived at, upon which to base the fees—whatever the value may ultimately be—takes into account each and every factor. This includes the cost of doing business for the permittees; the ramifications and implications of considerably higher fees; and, the indirect effect upon communities whose non-farm residents depend heavily upon the business generated by local agriculture.

We are, of course, still waiting for the conclusions and recommendations of the Public Land Review Commission which Congress created in 1964. That Commission, as you know, was created * * * :

"Because the public land laws of the United States have developed over a long period of years through a series of Acts of Congress which are not fully correlated

with each other and because those laws, or some of them, may be inadequate to meet the current and future needs of the American people and because administration of the public lands and the laws relating thereto has been divided among several agencies of the Federal Government, it is necessary to have a comprehensive review of those laws and laws and the rules and regulations promulgated thereunder and to determine whether and to what extent revisions thereof are necessary."

I am informed that the forage study is to be submitted by the contractor to the PLLRC sometime in March. It would seem only reasonable and wise to request recommendations from the PLLRC as promptly as possible, and to take them into account in our present deliberations.

In closing, I want to again urge the Subcommittee to take action on S. 1063, to temporarily suspend the increases. I am not suggesting indefinite postponement, but only a temporary suspension to permit Congress to more judiciously sift through all of the considerations and alternative recommendations. I also want to again urge prompt and favorable action on S. 716, which Senator McGee has discussed in greater detail.

I might add that I have called upon Secretary of Agriculture Hardin, and Secretary of the Interior Hickel, urging them to temporarily rescind the increases until they, personally—as well as Congress—can more closely study the full range of implications.

Mr. Chairman, I ask unanimous consent to have printed in the hearing record at this point a copy of my letter to Secretary Hickel—a similar copy of which went to Secretary Hardin. I also ask unanimous consent to have printed in the hearing record, at the conclusion of my testimony, the text of my bill, S. 1063.

Again, thank you Senator Church for making this hearing possible. I feel confident that the Subcommittee and the full Committee will act in the best interests of all concerned.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C., February 13, 1969.

HON. WALTER J. HICKEL,
Secretary, U.S. Department of the Interior,
Interior Building, Washington, D.C.

DEAR MR. SECRETARY: As you are well aware, considerable controversy has arisen over the recent increase in fees for grazing livestock on public lands—which was announced jointly by the Departments of Agriculture and Interior a few weeks back. The final regulations were published in the Federal Register on January 14.

When the increases were first proposed in November 1968, I protested vigorously to then Secretaries Orville Freeman and Stewart Udall relative to the magnitude of the increases. I have since had additional opportunity to more thoroughly study the issues involved and am more convinced than ever that the previous action requires additional consideration. As I have stated before, I agree that permittees should pay equitable fees for the permits. However, I am disturbed that the decision to increase the fees appears to have been made arbitrarily, based on an unrealistic appraisal of "fair market value."

Although comments from all interested parties were solicited and received on the proposed increases by both Departments, the final decision on the increases were virtually identical to the original proposal. In view of the resulting controversy, this suggests that the comments received were not properly considered and would not have justified such a decision. The question is also raised as to whether the entire record is sufficient to support the increases.

There are many socio-economic factors which must be given equal consideration with the purely dollar value of grazing land. I trust that you can appreciate the importance of these factors. For example, it has been called to my attention that Forest Service range permittees contribute some \$1.3 million a year toward the installation, construction, and maintenance of federally-owned range improvements. This burden might otherwise have to be shouldered by the Federal Treasury, if the increases are permitted to stand. This, in turn, might well initiate a decline in the value of Federal land, due to deterioration of rangeland and watersheds. Further, there could be a resulting reduction in fee collections due to decreases in capacity and usage.

In addition to these considerations, I firmly believe that further thought must be given to whether fees should be established at a level which permits smaller producers to participate, and thereby continue in agriculture, or whether fees

will be raised to such a level that small producers will be forced out of business. The latter could only lead to further erosion of the family farm concept * * * a swelling of our welfare rolls * * * a breakdown of those financial institutions which have supported producers * * * and a general decline in our already suffering rural economy.

The Senate Subcommittee on Public Lands has scheduled informal public hearings on the increase in fees for later this month. In addition, we in Congress are still anxiously awaiting completion of the Congressionally-ordered study by the Public Land Law Review Commission into existing Federal policies dealing with public lands. The Commission will make recommendations to the Congress sometime soon, hopefully, on changes that are needed to best administer our public lands.

While I recognize that your department has its statutory obligations to implement policy established by Congress, using your best judgment, I am confident that you share my concern that a just and equitable decision be made relative to this matter. Thus, I respectfully urge that you join with Secretary of Agriculture Hardin in temporarily rescinding the increase in grazing fees until Congress and you, personally, have had further opportunity to more closely study the implications of this action.

Your every consideration of my request on behalf of the ranchers of this country will be greatly appreciated. I am making a similar appeal to Secretary Hardin.

With kind regards, I am,
Sincerely,

JOSEPH M. MONTOYA,
U.S. Senator.

Senator CHURCH. Senator Hatfield?

Senator Burdick?

Senator BURDICK. Mr. Chairman, I have no questions at this time.

Senator CHURCH. Senator Metcalf, before you ask your questions, I want to mention what I know, Senator McGee is aware that there is a bill now pending, sponsored by Senator Metcalf, which is addressed to the problem created by the present tax laws that permits absentee owners to acquire farms and ranches and operate them at a loss, deducting the loss from other earnings, and then selling off the ranches at an appreciated value and paying only a capital gains tax.

Senator Metcalf has been trying to rectify that because he recognizes that it constitutes unfair competition to legitimate farmers and ranchers who are trying to make a living farming, and, as a cosponsor of that bill, I hope we can get it through the Senate this year and enacted into law before this session is over.

Senator Metcalf?

Senator METCALF. Thank you, Mr. Chairman, for mentioning the bill.

I thank the Senator from Wyoming for pointing out that some of these people do not care how much they pay in grazing fees. They do not care how much loss they take because they subtract it from a gain in other income and then come back and take the capital gains at the end of a 5-year period, et cetera, and they are competing with the legitimate farmer. That, of course, is the bill to which the chairman of the subcommittee—

Senator MCGEE. May I say, Senator, I am on that bill with him and whenever I am in Wyoming it is the McGee bill. They have never heard of Metcalf.

Senator METCALF. I learned a long time ago that is the way to talk about a bill. That was a lesson I learned in my first year in the Congress, always say it is my bill. You are welcome to it in Wyoming just as long as you do not try to take it over in Montana.

I have no questions, Mr. Chairman, but I do want to say that the Senator from Wyoming very eloquently and very persuasively set forth, I think, the basic issue here in his initial statement when he said we do now give a fee title. These are permits and yet, as a matter of practice over the years, ranches have been sold and base property and attached Taylor Grazing rights, and so forth, have had a definite value. So the very fact that there is a permit and that the permit can be revoked for some other land use, points out, as the Senator from Wyoming has suggested, that perhaps fees should be less than if there were actual fee title or perpetual right. And I think that that is the basic question that we are going to have to determine here in this hearing and perhaps it lays the preliminary foundation for consideration of the bill that you have introduced, and certainly, it is a persuasive bill. So, I think you have made a very outstanding and significant contribution to our deliberations.

Senator CHURCH. I want to say also that you certainly have made a fine presentation and we want to thank you for it, Senator McGee. If there are no further questions, we thank you for your testimony.

Senator MCGEE. Thank you, Mr. Chairman.

(The statement referred to follows:)

STATEMENT OF HON. GALE MCGEE, A U.S. SENATOR FROM THE STATE OF WYOMING

Mr. Chairman, I deeply appreciate the opportunity to present some of my views to this Committee in reference to the substantial increase in grazing fees which have been imposed on those livestock producers who utilize public lands in their operations. Likewise, I can assure you that members of the livestock industry generally are most grateful for this opportunity to have their views considered. I commend the Chairman for his leadership in this regard, and I trust that these hearings will be informative and productive for all concerned.

We are all familiar with the background of the increases in grazing fees, and therefore, I shall not go into any detail in reference to that aspect of the situation. It was a matter of concern, however, to livestock people in Wyoming that after the proposal to increase users fees on public lands was considered in one form or another for a period of almost ten years, the industry was given only 45 days in which to respond or comment on the so-called tentative proposals which were made public late last fall. While the industry was given the nominal right to comment, there is a big question in the minds of many as to what extent their comments were considered. This doubt is somewhat reinforced by the fact that the final proposal was almost identical to the tentative proposal. It is for this reason that these public hearings were welcomed by the industry.

Just recently, Secretary of the Interior Hickel announced that the increased fees had been put into effect and that billings for the 1969 season had been mailed to permittees. For this year this will increase the grazing fee from 33 cents per AUM to 44 cents. This represents a single year's increase of 33 percent which I am certain we all recognize is a substantial one. These increases will continue under the present proposal until the fee is increased by approximately 400 percent at the end of a ten-year period.

These increases promise to be most damaging to the livestock industry itself as well as to the general economy of those states which depend so heavily on the industry. They come at a time when we are faced with depressed conditions within the livestock industry. For the past several years the expenses of the livestock operator have been increasing substantially, and these increased costs represent elements over which the individual operator has little or no control. Unfortunately, the price of livestock has not increased correspondingly, and the resultant cost price squeeze has become critical. The increase in grazing fees is but one more step in this direction since it represents another increase in cost of operation with no corresponding opportunity for increased income. The economic screw which already has the rancher pinned to the wall has thus been tightened by another full turn.

Our livestock producers are willing to pay a fair consideration for their use of our public lands and realize that this will be required of them. Even though

the prolonged study of grazing fees was detailed in many respects, however, the results which were reached are open to many doubts. Many questions have been raised and have remained unanswered in reference to the fairness of the increased fees which have been imposed.

One of the principal items of concern is the fact that the Federal departments refused to take into consideration in their fee determining processes the cost of the grazing permit involved. Their own studies indicated that this grazing permit did represent both a valuable right and a determinable value. They recognized the fact that these grazing permits had been acquired by the operator at a substantial cost. Even in view of these facts, however, they refused to consider this cost or investment in their calculations.

Early this year I introduced a bill in the Senate, S. 716, which would direct the Secretary of the Interior to recognize this cost factor and all others in determining the overall grazing fee. As I pointed out at the time, it is most difficult for me to understand or attempt to justify a fee setting procedure which is based on cost of operations, but which conciously and deliberately excludes one of the major items of investment in that operation.

Mr. Chairman, in setting up the new fee schedule one of the principal goals as announced by the Federal agencies was to achieve comparability of costs between grazing operations on privately leased lands with those on the public domain. In attempting to achieve this comparability, many of the costs of each type of operation were determined, considered and compared. Unfortunately, however, all such costs were not so considered. My bill, S. 716, would require the Secretary to fully and carefully consider all costs in determining equity or comparability. If we are indeed seeking comparability, all of the economic aspects of the respective operations must be studied, recognized and assigned proper weight in the final formula.

I have strongly suggested that the permit cost or investment must be considered. While this is one of the principally omitted costs in the departmental studies, it is perhaps not the only one. In a letter to the Chairman of this Subcommittee under date of February 11, 1969, Mr. Walter C. Yose, Jr., Secretary-Treasurer of the LaBarge Round-up Association, pointed out other elements of costs and economics that should be considered in determining the grazing fees on public lands. I would ask, Mr. Chairman, that the letter to which I referred be made a part of the record of these hearings since I feel that Mr. Yose and the Association which he represents have some comments that are worthy of strong consideration.

I have no particular quarrel with the reasonable return concept mandate of that 1959 directive of the Bureau of the Budget; I have no quarrel with the comparability concept if that is the standard which is to be used in setting fair and equitable fees. I do suggest, Mr. Chairman, and suggest very strongly, that we cannot be fair, we cannot be equitable, we cannot be reasonable if we are to be selective and arbitrary in selecting those particular cost factors which we are willing to consider in determining fees. If comparability is our goal, then certainly few reasonable persons would object to the proposition that all cost factors should be considered. That is precisely what my bill would do and for that reason, I feel it has some real merit and is worthy of favorable consideration by this Committee.

In taking this view, I am, of course, aware of the position of the Department and its basis for excluding the permit cost. They feel that to do so would be to recognize the permit as a property right which would be contrary to the Taylor Grazing Act. While this argument might have some merit in theory, I suggest it lacks merit in application. By the very terms of the Taylor Grazing Act some property right is created in the permit, and this property right has been consistently recognized by both the operator and the Department for a good many years. We all recognize that these so-called Taylor Grazing rights have been sold, transferred and otherwise alienated with the exchange of valuable consideration in each instance. Personnel of the Department of the Interior are certainly familiar with these transactions, and in my opinion it is both unrealistic and unfair for them to now contend that this situation does not exist.

While I realize this concept undoubtedly poses some administrative problems for the Department, I feel that it is time that these problems be faced and resolved. It will be of no benefit to anyone if we pretend that they don't exist or will somehow go away. They are here with us today, they have been with us in the past, and they will remain with us in the future until some positive and constructive action is taken to resolve them.

With those comments in mind, I would hope that during the course of its study on this general problem, this Committee will give some serious attention to S. 716. Also hopefully, perhaps, some positive and affirmative action might be taken in reference to it during this session. In suggesting this, I am aware that other members of the Senate have introduced other legislative proposals which are now pending in this Committee. All of these elements in the problem deserve the most careful scrutiny by the Congress.

In closing, Mr. Chairman, I would strongly emphasize, as I have on many occasions in the past, that the livestock producers would not object to a cost system which is fair and reasonable. An equitable proposition would have their support. As a matter of fact, the industry as such cooperated to a high degree with the Federal agencies while the cost studies were being made. In view of the timing of the proposal, the fairness of the increases has been seriously questioned.

The Secretary of the Interior has indicated that he would follow these Congressional hearings very closely, and I hope that from these hearings a fair and equitable policy may be reached.

Senator CHURCH. Before we turn to the departmental witnesses I will ask that if members of the subcommittee have inserts for the record that they do so now.

Senator BIBLE?

STATEMENT OF HON. ALAN BIBLE, A U.S. SENATOR FROM THE STATE OF NEVADA

Senator BIBLE. Mr. Chairman, it appears that we are about to embark on the umpteenth chapter of a serial that could well be entitled "The Perils of the user of the Public Domain," or "How long can the livestock rancher continue to operate under the ill advised and fantastic increase in grazing fees charged for the use of public lands." I have been in the Senate and on this committee for the past 14 years and with the possible exception of the Indian problems the one we are considering today seems to be the one that virtually defies solution.

As I advised the former Secretary of the Interior in my letter of December 5, urging a moratorium on the proposed grazing fee increase, I was being forced to the conclusion that the proposal, if implemented, would be a first step in the eventual elimination of domestic livestock grazing from the public domain lands.

It is now official that the grazing fee for the 1969 grazing season has been set at 44 cents per AUM nearly nine times the amount charged for the same privilege during the period 1936, the first year of charges, and 1946 when the first raise occurred. Because the history of increases has followed a consistent pattern despite the objections of this committee and livestock operators during the entire history of the grazing service, I call them to your attention.

| | <i>Fee per AUM</i> |
|-----------------------|--------------------|
| 1936-46 ----- | \$0.05 |
| 1947-50 ----- | .08 |
| 1951-54 ----- | .12 |
| 1955-57 ----- | .15 |
| 1958 ----- | .19 |
| 1959-60 ----- | .22 |
| 1961-62 ----- | .19 |
| 1963-65 ----- | .30 |
| 1966-68 ----- | .33 |
| 1969 ----- | .44 |
| 1978 (proposed) ----- | 1.23 |

The record is clear. The present cost is nine times the original fee and is 3½ times that charged when I first joined this Committee. If

it ever reaches the \$1.23 figure, and it will not if I can prevent it, it will be 15 times the original charge and 10 times the 1954 level.

Along with other members of the Senate, I have called on Secretary Hickel to withdraw the order and restore the fee to its 1968 level pending the completion of the study and report of the Public Land Law Review Commission due in 1970. When I questioned the new Secretary during his confirmation hearings on this matter he agreed that changes should await such a report and I now call on him to exercise the authority that vests in his office and rescind the order.

Another thing, Mr. Chairman, that intrigues me in this matter is the fact that on January 14, a release from the Bureau of the Budget stated that grazing fees for Federal lands administered by the Department of Agriculture and Interior would be higher this year. The statement went on to explain that if the Bureau formula as justified by the study was followed the 1978 charge would be \$1.23 per AUM. In order to minimize the effect on the users of the Federal lands it was determined that the raise to that level be accomplished over a 10-year period starting with an 11-cent raise in 1969. I submit Mr. Chairman that if the Executive agencies are going to try to destroy the industry it might be more merciful to do it quickly rather than strangle it to death over a long time.

Mr. Chairman, without taking more time and with the intention of closely questioning Department witnesses both here and when they appear before the Interior Appropriation Subcommittee later, I ask permission to include in the record my letters to the Secretaries, Assembly Joint Resolution No. 3 of the Nevada Legislature. I would also include a series of news stories, editorials, and letters from my constituents that with one exception condemn the order calling for the increase in grazing fees.

Senator CHURCH. Without objection they will be included.

Senator BIBLE. Also, Mr. Chairman, there has been much study over the years of the place of public lands in our livestock industry and the economy of the West. At this point I would like to have included in the record excerpts from a report prepared 25 years ago by the engineering and research staff of the Industrial West Foundation, on which consultants and advisers included Milton S. Eisenhower, land use coordinator; A. G. Black, governor of the Farm Credit Administration; R. H. Rutledge, Director of Grazing, Department of the Interior; and the extension directors, commissioners of agriculture, and the experiment station directors of the 11 Western States.

(The material referred to follows:)

THE RANGE INDUSTRY OF THE WEST

GENERAL

Magnitude and importance

Area.—The range in the 11 Western States becomes a factory when its use is also taken into account. Considering it thus as a farflung industry, its area of operation in the 11 Western States is as follows:

TABLE 95.—AREA OF STATES¹ (APPROXIMATE)

[In acres]

| State | Land areas of States | Inland water area | Total area |
|-----------------|-------------------------|----------------------|-------------|
| Arizona..... | 72,691,200 | 210,560 | 72,901,760 |
| California..... | 100,353,920 | 1,209,600 | 101,563,520 |
| Colorado..... | 66,538,880 | 179,200 | 66,718,080 |
| Idaho..... | 52,997,120 | 479,350 | 53,476,480 |
| Montana..... | 93,642,240 | 525,080 | 94,168,320 |
| Nevada..... | 70,273,280 | 472,320 | 70,745,600 |
| New Mexico..... | 77,767,040 | 99,200 | 77,866,240 |
| Oregon..... | 61,664,000 | 403,840 | 62,067,840 |
| Utah..... | 52,701,440 | 1,644,800 | 54,346,240 |
| Washington..... | 42,865,280 | 777,600 | 43,642,880 |
| Wyoming..... | 62,403,840 | 261,120 | 62,664,960 |
| Total..... | 753,898,240 | 6,263,680 | 760,161,920 |

¹ Bureau of the Census, U.S. Department of Commerce, 1940.

The parts of this great area which are not range are indicated by climate and soil which make areas not good enough for range or too good for range and, therefore, devoted to agriculture, mining, industry, and homesites. Certain other areas have been devoted by their very nature to complete use by brush or forests with only minimum benefits to livestock or wildlife. This introduces a necessary explanation that the Western range is the home of wildlife. Wildlife use extends the range area because game may live and thrive where the topography is so rough and broken that livestock operations may not flourish. The use of the range by wildlife will be mentioned in this report, but the function of land in the 11 Western States as a home for wildlife deserves special description. The lands which are to be excepted from the range area are listed below:

TABLE 96.—*Lands to be excepted from the range area*

| | |
|---|-------------------------|
| Cropland area in 11 Western States..... | ¹ 36,393,833 |
| Military land (to exclusion of livestock)..... | ² 12,000,000 |
| Desert precipitous areas, absolute forest, and lands devoted to industrial, transportation, and municipal uses (estimated)..... | ³ 20,000,000 |
| Approximate total, nongrazing land..... | 68,393,833 |
| Total land area in 11 Western States..... | 753,898,240 |

¹ Census 1930.² Grazing Service estimate.³ Various sources.

NOTE.—The total nongrazing land in the 11 Western States is the approximate land area of 1 state, Colorado.

Number of Operators.—On this great area there are approximately 77,000 operators engaged in the range livestock business. This number will not be found in Census records, as there is no distinction there between the farm livestock group and the range livestock group. It is fitting that no such a division is made because there is every gradation between the two. The figure would be difficult to check as the use of farms and range is closely integrated. Many forms of land control contribute to single grazing operations even though those operations be for small numbers of animals.

Numbers of stock.—The numbers of livestock on the range are not subject to very close approximation as the Census Bureau reports the range livestock among the livestock "on farms" and the discussion of range requires the distinction between the lands under the plow and wild lands which produce forage under natural conditions. The figures for beef stock cattle exclude dairy stock and steers and include a proportional share of the bulls. The figure on sheep is "stock sheep" which exclude those being fattened for market. The percentage of sheep in Western States which stay exclusively on croplands is very small.

TABLE 97—LIVESTOCK NUMBERS IN 11 WESTERN STATES

| Year | Total cattle | Beef cattle stock | Stock sheep |
|----------------------|--------------|----------------------|-------------|
| 1931-40 average..... | 11,209,000 | 6,863,000 | 23,349,000 |
| 1941..... | 11,563,000 | 6,934,000 | 21,867,000 |
| 1942..... | 12,267,000 | 7,372,000 | 22,167,000 |

Production.—Livestock are producing for the good of their owners and to the advantage of the Nation. They make a considerable direct contribution through fees charged for public range privilege. A long list of commodities are produced by range livestock which indicate that range livestock are producing many vital requirements of the Nation in addition to the more commonly known products of beef, lamb, wool, and mohair.

SOME PRODUCTS DERIVED FROM RANGE LIVESTOCK

| | | |
|--------------------|---------------------|----------------------------|
| Adrenalin | Case hardening bone | Glue |
| Albumen | Confectionary | Illuminating oil |
| Artificial teeth | Cosmetics | Glycerin |
| Artists' colors | Cowhide overcoats | Hair for padding |
| Athletic equipment | Drumheads | Hair for plaster |
| Belting | Drum snares | Incense |
| Blood meal | Electrical bushings | Inks |
| Bone charcoal | Felt | Insulin |
| Bone implements | Fertilizer | Isinglass |
| Brushes | Gloves | Lanolin |
| Candles | Gelatin | Leather |
| Carpets | Grease | Liver extract |
| Lubricating oil | Plastics | Stearine |
| Meat meal | Poultry feed | Stock meal |
| Milk | Rawhide | Surgical ligatures |
| Mutton tallow | Red bone marrow | Tennis strings |
| Neatsfoot oil | Rennet | Thrombo-plastin |
| Oleomargarine | Salves | Thyroid extract |
| Pancreatin | Sausage casing | Upholstering fabrics |
| Pepsin | Shoes | Violin strings |
| Pineal substance | Sizing | Woolens for garments |
| Pituitary liquid | Soap | Woolens for blankets, etc. |

The importance of the livestock products of the Nation has been appreciated through the years. Calculations have been made to show the relationship between the overall production of livestock as compared with the products of agriculture which are sold in vegetable form. Reports show that the sales of livestock products in 8 of the 11 Western States was greater than the return from crops not marketed through livestock. Those figures include the dairying industry and other forms of livestock production which are generally not connected with range use.

The relation of range livestock production of meat, wool, etc., compared with other livestock products is more favorable in the Western States than in other areas. The distribution of proceeds from sales of animal products for the Nation over a series of years is tabulated in Table 98.

In the 11 Western States the production of range cattle and sheep is the rule. In those states the production percentage is highly favorable to range animals.

The influence of the range is consistent in importance throughout Western livestock and farm production. Range use promotes and finances farming. In many areas, it makes possible the use of crop lands where otherwise there would be no sale for farm products. There is no influence of range only in areas where no range is available, and it happens that where that is the case there is also little farming.

Influence on other industries

A basic and explorative industry.—It has been indicated that the range and its use in grazing have an important place in livestock operations in the 11 Western States. Its influence on the other industries is of tremendous importance also. Grazing is the basic and overall industry. All other industries in these states are relatively restricted as to area. Grazing has been the force which has caused the exploration of the back country. Along the routes blazed by explorers and fur

traders have moved the herds of cattle and sheep. They have preceded and in rare cases have followed the prospectors, settlers, and business men. The areas that were not opened up by these forms of settlement were opened up by horse trails and roads of the livestock men who before the turn of the century had introduced their animals to virtually every range area in the West.

* * * * *

IMPROVEMENT AND DEVELOPMENT PROGRAMS

The vast areas of the 11 Western States are the most recently occupied areas in the country and have the most prominent relief. They were, and still are, underdeveloped. The objectives of range management cannot be obtained until the areas are equipped with facilities to allow distribution of livestock on the range and to bring about the control that good husbandry requires.

Improvements.—Stockmen have been making range improvements over the years. They first developed their own ranches and then proceeded to provide outlying watering places and additional farms, feed lots, and grazing areas. The publicly owned lands are less improved. The Forest Service took the lead in putting improvements on public lands. With very limited funds they showed what could be accomplished both for the good of the forage resources and to increase the production of animals which used those resources. The Indian Service, Grazing Service, and Soil Conservation Service went to work on more extensive range-improvement programs which are in progress.

The states were awarded funds from the use of public grazing lands and have devoted these funds to range improvements in the firm expectation that improved ranges will eventually increase state incomes from grazing lands. The states saw the need of immediate improvement of range areas in order that the livestock industry might be continued with a minimum of disturbance while conservation of forage and range lands was introduced. The Agricultural Adjustment Administration added a program for the improvement of privately controlled range lands used on a conservation basis. The area is so great and the natural facilities so limited that many years of effort will be required to bring public and private land areas into condition which will allow orderly and planned use.

Development.—It is not to be expected that Western range areas would possess the full needs of kinds of animals which were not present before the arrival of white men. Much of the depletion of the old forage resource is due to the fact that the vegetation was not accustomed or suitable to use required for cattle, horses, sheep, and goats. Man has also disturbed the balance of nature in the matter of rodents, predators, and so-called noxious plants. It becomes man's duty, therefore, to counteract the influences of this disturbance by studied efforts.

Leading items in the development of range areas are rodent and predator control. These programs are interdependent as man has reduced the number of natural enemies of the rodents so that they abound. The most common predators live, in part, on the rodents. If man controls rodent infestations for the good of the forage crop he must also control the predators, which, lacking their former food supply, must attack livestock on the range and encroach on the habited areas.

Many plants are definitely poisonous to livestock. Some are especially damaging if eaten by sheep, others when eaten by cattle, and still others are poisonous to both. It is sometimes possible to adjust the use so that a minimum of damage is done. It has been found possible to replace some of these poisonous plants by good vegetation to the advantage of range and animals. There are also plants which occupy the range and by their bulk or by competition for the moisture, which is generally the controlling factor in the dry portions of the 11 Western States, keep good forage from being produced. It is highly desirable, as means are devised, to eliminate these worthless plants and replace them with good.

The vegetation of many areas has been killed by turning the sod or soil in areas which were not feasible. There are other areas which, through drought, misuse and abuse have lost the bulk of their forage crop. Fires have run through range areas and killed the bulk of the valuable shrub and perennial grass stands. Many of these areas are being successfully seeded by range plantings which have passed the experimental stage. Work in finding suitable species for seeding and inexpensive means of seeding is indicative that the range is susceptible to the same kind of beneficial development that turns a wild land of trees into a useful, regimented forest of chosen species. The industry is behind the program and livestock men are planting grasses on constantly increasing areas.

RANGE FIRES

The conservative use of range lands leaves a residue of vegetation and provides fully developed forage for rotational uses. Standing forage crops create a menace from fires. The hazard of range fires has most definitely increased within the past few years. Near the areas of greatest risk which are those closest to the haunts of man, the hazard has increased far faster than the public has been educated in the protection of the range from fire. These same areas were formerly hard used and there was little to burn. As the time arrives when fires may be set as an act of war against this country, the danger of range fires increases. Range fires might also endanger valuable forests and complicate the situation tremendously. No stone may be left unturned in the protection against ordinary fires at all times or against incendiary fires until after the war emergency has passed.

COOPERATION IN MANAGEMENT

Forty years of dealings with Federal, state, and county agencies in land management and control have taught the stockmen that governmental officers have a practical and considered approach to their problems. Stockmen have not been in complete sympathy with all that has been planned and the various land managing agencies have not had confidence that the industry was ready to forward conservation programs.

It has been definitely shown that with the complicated land pattern of the Western States, the lands and the livestock can thrive only when there is cooperation in planning and executing the use of the range. That cooperation is being sought and gained by systems of advisory board cooperation. Men chosen by the industry are representing it on forest ranges, with grazing districts, soil conservation districts, and AAA programs. Democratic principles of a high order are followed, as those whose interests are being affected have a full share in planning for the range.

FEDERAL MANAGEMENT OF PUBLIC RANGES

The trends of governmental regulation of grazing lands has followed the slowly evolving concepts of wild land conservation. The original idea of conservation was to set aside and forever protect. That is represented in Congressional action in setting up the Yellowstone Park in 1877. A higher concept was reached when in the first decade of the 20th century the forests developed their policy which was expressed in the important pronouncement "The preservation of our natural resources for economical use, so as to secure the greatest good to the greatest numbers in the long run." The proposal was to protect the lands within certain boundaries and use the lands to benefit the local or more distant peoples, distributing privileges to as many as could make fair use of them.

By the 1930's a further development of the concept was reached. Broad areas of land in mixed ownership were classified as chiefly valuable for grazing and their use was to be designed to complement and permit proper use of lands in mixed ownership which were used in range livestock operations. There was no limit on the location of lands to be so complemented but a preference was given to those lands which were within or near these grazing areas. For the first time in the Nation's history grazing was established as the major use of great areas of land and a balance was sought between the use of public and private properties for the mutual good of both. The claim to range privileges arises from the lands that are to be benefited rather than from the personal need of individual operators. Through this thought increasing benefits will derive to local lands as the previously underdeveloped, misused, and abused ranges slowly come into their own.

The fact that the industry needed continuity has been appreciated, and 10-year term permits have been established to allow continuity of use. Permits are renewable but do not constitute a claim in and to the lands affected. Throughout public management of lands fees have been assessed for the use of public range privileges in "reasonable" amount. These fees have been in different amount from a cent per month for sheep and 5 cents per month for cattle to approximately four times that much. There are three ways in which the amount of fees are assessed:

1. A small enough fee so that it is "reasonable" in the sense of the word meaning inexpensive.

2. Studies have been made of similar lands such as state, county, corporate, and other lands which are subject to permit or lease. Fees for adjacent public lands have been established within limits of reasonableness on the proportional basis to charges made for other lands.

3. The third approach to the charging of fees (which has not yet gone into operation) is to study from area to area the income and costs of livestock operations using public lands and to choose a reasonable part of the proceeds from the use of those lands as the fee for such grazing privileges.

There are still Government agencies which are allowing public range privileges to go to the highest bidders on a lease basis. The areas so managed are of small and decreasing amount.

The use of income from public grazing lands has been provided for by Congress in legislation governing land managing agencies. Proceeds from Indian lands go to tribal funds. Proceeds from reclamation lands go to the reclamation projects and indirectly to the water users. Proceeds from repurchased land, now being managed by the Soil Conservation Service, are returned to the Treasury as miscellaneous receipts. Fees for grazing in National forests are returned to the counties in which they arise to the following extent: 25 per cent for school purposes, 10 per cent for roads, and 10 per cent for expenditure for range improvements in those areas. Twenty five percent of the proceeds from fees from grazing districts are returned to the agency for range improvements, 25 per cent go to the Treasury to apply on administrative costs, and 50 per cent of the fees are returned to the states for the benefit of the counties from which they arise. This return of fees to local governments shows the appreciation of Congress that the public range lands must contribute to the support of the areas which are so strongly in Federal control. The states have voted similarly to use these funds for the improvement of range areas in the counties in which the fees were collected. This form of use of the funds by ten states shows that no one was more aware of the underdeveloped nature of the grazing district lands than were the local state governments.

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ORGANIZATION OF INDUSTRY AND RANGE HISTORICAL BACKGROUND

An individualistic business.—The range industry was developed by a group of hardy individuals who ran livestock as they could. At first they thought that the native range was sufficient to support livestock throughout the year. Early blizzards and droughts showed that the business required the development of hay and crop lands to provide feed reserves against the winter storms and waters to open range areas to economic use.

As properties were acquired and developed to provide feed and water, the stockmen began to claim the areas they used as their own. Conflicts arose between groups of livestock men running the same kinds of livestock and more serious range wars developed when sheep and cattle were introduced into the same areas. The conflict was to develop and delineate year-round operational areas for the various interests. It is reasonable to grant that livestock are unable to get along unless they have a place to graze or be fed throughout each season of the year.

The promise of returns from the industry were very great. The capital investment was low and labor of a high type was available at low wages. The actual proceeds of the business were curtailed by a great variety of losses, and production was far below expectation. Nevertheless, the competition for the range developed at a tremendous rate while the development of the range areas lagged behind. As early as the turn of the century some of the more available range country was over-taxed while the bulk of it remained very much under-developed and much of it was little used.

Formation of associations.—The stockmen early discovered that there was need for some kind of organization among themselves. The distances between operators was so great that they had a minimum of personal contact. State, county, and national livestock associations were formed before the industry gained great magnitude. The early records show that these associations were established primarily to reduce rustling and formulate livestock ownership recording procedures. From this simple beginning the associations turned to the protection of the industry from other depredations and fears of depredations, and sought various aids through legislation and cooperation.

Land influences.—The bulk of the lands on which the livestock grazed was in Federal control. The stockmen used these lands as if they were their own, but were unable to gain control of them by lease or by purchase. Their use of the lands was, in general, of a random nature as they could not keep a neighbor or an outsider from moving in upon the areas the use of which they planned for themselves. The establishment of the forests in the first decade of this century was the first experiment in planned use of public ranges. The Forest Service in-

stituted a program of range management through the selection of men who understood the range livestock business as part of the personnel of each forest.

From very simple beginnings, through trial or error and study or research, systems for range management and inventories were instituted. The program was carried on with such a degree of practicality and finesse that the livestock men saw the advantage of planned rather than use as under former conditions. They found that a reasonable fee for the use of grazing lands was repaid many times by the security of range areas protected by a managing agency for individual or community use. After more than 25 years of range control of forest lands, the later established land managing agencies found a receptive frame of mind among stockmen who had had acquaintance with forests. As forests lie scattered all through the 11 Western States, this appreciation of the advantages of managed ranges was of wide extent.

Changes in land laws following World War I and the unusual economic conditions in the 20's and 30's brought a large number of settlers to the public-range areas. These either sought to join the livestock group who apparently were making money on the range, or tried to gain title to lands which were very necessary to current livestock operations. Such lands were a good real estate investment at a time when work at good wages was hard to find. The pressure for better land use and for a continuance of the range country as such, were the principal causes for legislation in the early 1930's, which put the balance of the public range lands under management. The same conservation pressure forwarded the protection and management of Indian lands and much private, corporate, and state land which had been misused and abused by the plow and poor grazing practices.

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Such requirements were appreciated by the framers of the Taylor Grazing Act (June 28, 1934, as amended), which takes into account the intricate land pattern which has developed during 75 years of unplanned disposition of the old public domain. Cooperation is called for in 5 of the 18 sections of the act, and grazing privileges are to be granted as far as compatible with conservation to provide for the proper use of private lands and waters, owned, leased, or controlled by the users of the grazing districts.

FINANCING THE RANGE LIVESTOCK INDUSTRY

Cattle and sheep ranching in the Western States are typically extensive operations requiring relatively large amounts of credit. Based on normal values, total investment in livestock, real estate, and allied equipment on a ranch running 500 cattle may vary from \$30,000 in open range areas of Nevada to \$75,000 for ranches fee-owned and under fence in the more productive areas of California. In addition, cash outlays for range, feed, labor, and other production costs during the year may average \$10 to \$15 per head of cattle. Because of the highly seasonal nature of income from livestock and wool sales, many ranchers rely upon credit entirely in meeting their operating expenses during the year.

Financing the livestock industry of the West and agriculture generally in the United States has undergone numerous stages of development. Little is recorded regarding the financing of the first range herds and the trail drivers from Texas. Borrowed money through established channels likely was not an important factor at that time, however, as many of those entering the ranching business had acquired their stake elsewhere. Also, land was relatively cheap and cash outlays required prior to marketing were comparatively small.

When the Texas ranchers began to drive cattle northward in the late sixties, for stocking ranges in the "cow country" of the West, bank credit doubtless became of importance in range financing. Clemen¹ mentions that in the financial panic of 1873 most of the cattlemen were in debt to banks, their cattle being pledged as security, but many of the banks went to the wall, and those that did not called the loans as they came due. Cattle were sent East at greatly reduced prices. In order to dispose of the cattle during the liquidation period, thousands were killed for their hides, horns, hoofs, and tallow.

In the "great cattle boom of the early eighties" which followed the depression in the seventies, the industry was placed on a highly organized business basis, with great cattle companies, many of which were promoted by English and Scotch

¹ "American Livestock and Meat Industry"—Clemen, pp. 180-181.

capital. The boom was set going by high prices of cattle. In 1878 and 1879, prices of ordinary stock cattle for range herds had been from \$7.00 to \$8.00 a head. Values in 1880 were around \$9.50, and throughout 1881, with general prosperity in the country and widening demands for meat, prices rose and reached \$12.00. Overstocking of the range resulted from the boom and with the crisis of 1884 and the ensuing depression, this overexpanded industry went to pieces, and by 1886 the crash ruined many cattlemen who had been rated as millionaires.

The expansion of the boom in the eighties was financed principally by actual money put into shares of the cattle companies. With this source exhausted, the progressive cattle owner had to get loans in other parts of the country, especially Chicago. The First National Bank of Chicago made many loans to big cattle owners in the West. By 1894, the cattlemen were selling paper to trust companies, and it was classed as commercial paper. It was in the eighties that the business of cattle loans really got a start. Ranges became overstocked again, however, and for several years after 1895, cattle raisers' losses were such as to render them unable to repay their loans. Many commission houses which had advanced funds failed. Cattle paper became very unpopular, but by 1900, confidence returned to the industry.

Cattle loan companies, livestock commission companies, and banks were the principal sources of credit until 1920 when the general post-war depression struck the livestock industry. Shrinkage of bank deposits forced banks to collect loans, and with livestock values already on the decline, it was impossible for livestock loans to be liquidated without incurring further loss and causing more demoralization. To restore confidence and provide new credit machinery, pending Government action, banks in New York, Chicago, and 18 other cities formed pools, establishing the Stock Growers' Finance Corporation and Livestock Finance Corporation, each with headquarters in Chicago. No direct loans were made by these corporations, but livestock paper was rediscounted from either national banks, state banks, trust companies, or cattle loan companies who guaranteed payment.

In order to further alleviate the distressed situation in the livestock industry during the depression period immediately following the first World War, the War Finance Corporation established by Congress in 1921 was empowered to make loans to banks, trust companies, cattle loan companies, and others for the benefit of cattlemen and farmers. The War Finance Corporation, while actively engaged in making loans, rendered a real service to the livestock industry by encouraging the organization of livestock loan companies with the sole purpose of serving as an intermediary between the banks and livestock growers and the Government agency which eventually supplied the funds.

Recognizing the need for a permanent, dependable banking facility for the livestock industry and agriculture generally, the Federated intermediate credit banks were established by Congress in 1923 to provide a permanent source of funds for short-term agricultural loans by discounting agricultural loan paper for, purchasing such paper from, and making loans to private local lending agencies (agricultural credit corporations, livestock loan companies, and commercial banks). The Federal land banks had been established in 1917 to provide a farm mortgage credit system in the United States specifically designed and adapted to meet the needs of agriculture.

By 1933, it became evident that the livestock loan companies and other private lending institutions which rediscounted their paper were not meeting the need for short-term agricultural loans. Many of those private agencies had failed because of inadequate capital, unsound management, or other reasons. The regional agricultural credit corporations had been created in 1932 as emergency agencies to fill this gap temporarily. However, to constitute a permanent system for the making of short-term agricultural loans through the use of the discounting facilities of the Federal intermediate credit banks, the Farm Credit Act of 1933 provided for the establishment of production credit corporations and production credit associations.

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RANGE LOAN POLICY

Through the permanent institutions of the Farm Credit Administration, dependable sources of both long-term mortgage and short-term production credit are available for agriculture at rates of interest in keeping with the costs of borrowed funds plus a margin for operating expenses. Profiting from experience, the Farm Credit Administration has adopted certain policies with respect to range loans in the Western States which are designed to make the credit facilities

fully available to ranchers and, at the same time, have loans which will turn out satisfactorily from the standpoint of the lending institutions.

FEDERAL LAND BANK LOANS ON RANCH REAL ESTATE

The development of a satisfactory basis for extending long-term mortgage credit on ranches requiring the use of outside lands—National Forest, Federal Range, or privately-owned leased lands—for their successful operation involves the question of reasonable assurance of the continued use of such lands.

In the early days, the pioneer rancher entered a virgin district and claimed everything in sight. When a second appeared with his stock, the two would divide the district, and each keep on his side of the division line agreed upon. As others came in, the district was further divided until it was considered by the stockmen to be fully occupied. With this appropriation of the country, and the practice of arbitrarily defining the boundaries of the ranges, there developed the theory of "range rights"—a man's right to his range in consequence of priority of occupation and continuous possession, although none actually asserted ownership of the range land except for relatively small acreages which were patented to constitute the operating base for the ranch through production of winter feed, control of watering places, etc. The aggressiveness or organization ability of the rancher in the ownership or control of strategic range, and the "six shooter" continued the determining factors in holding lands together on the open range for many years. Enactment of certain state laws governing water rights and trespass and later the establishment of the Forest and Grazing Services formed the basis for the present system of regulated use of the public lands through lease, license, or permit.

ECONOMIC ASPECTS OF RANGE USE AND VALUATION

Thus, since the first development of the western range, ranches were established, operated, valuations placed on the fee-owned land, and ownership of the fee-land transferred, all with the continued use of the other range lands assumed and taken for granted. For various reasons, such lands were not patented or placed under fence, but nevertheless, they constitute a part of the ranch operation just as any one of the 40-acre fields in a quarter-section Corn Belt farm constitutes an integral part of the farm unit. The earning power and value of these outside lands have been absorbed in the fee-owned land or base property, and as a result, parcels of fee-owned land in the range country, scattered and too small to have earning power of value if considered alone, have been taxed, sold at prices, and have had earning power equivalent to properties with a 1,000-head of cattle carrying capacity, for example, because those particular parcels have had access and gave control, through waterholes or otherwise, to sufficient outside range to maintain a 1,000-head outfit. The outside lands are no longer an undiscovered resource as their earning power and value already have been reflected in the fee-owned land with which their use has been associated.

The ranch operating unit, fee-owned lands together with the outside range lands, provides year-round carrying capacity for a certain number of livestock and hence, certain annual production and income. Valuations and sales' prices have come to be based on this output of the unit as a whole. Therefore, if it were possible to segregate the portion of the livestock carrying capacity provided by the outside lands and treat them as an untapped, unexploited resource by withholding them from use in the ranch operation or imposing an additional charge for their use, the earnings available and the value of the fee-owned land or other segments of the enterprise would be reduced. With a given total of income from the ranch unit, any increase in costs on one segment, of course, reduces the amount available for the others.

These economic aspects of land-use and valuation in the range country have been recognized by Congress. One of the stated purposes of the Taylor Grazing Act was "to stabilize the livestock industry dependent upon the public range." The fundamentals of range land-use and valuation were also recognized by Congress in the Farm Credit Act of 1935, which provided that consideration be given to the extent to which the earning power of fee-owned land is increased by the use of Federal—or State-owned land under lease or permit, the continued use of which is reasonably assured. In the Taylor Grazing Act, Congress provided further that where a ranch unit involving a license or permit on Federal Range embraced in grazing districts was pledged as security for a loan, a renewal of said license or permit should not be denied.

ASSURANCE OF CONTINUED USE OF OUTSIDE LANDS

The increase in ranch earnings and in the value of the fee-owned land resulting from the use of the National Forests, Federal Range, State-owned land, and privately owned leased land doubtless was reflected to some extent in appraised values and the amounts loaned by the Federal land banks on ranch properties before 1935. As outlined above, there has been a natural tendency for fee-owned land in open range country to acquire added value depending upon the general availability and use of outside range. The real question has been as to whether the availability and use of such outside range and hence, the earning power and debt-carrying capacity of the ranch unit, would be maintained during the period of the loan. Difficulties arose with Federal land bank loans in northeastern Nevada, for example, when the use of outside range was lost and net income and debt-carrying capacity were thereby reduced.

From an analysis of the repayment records of loans on 58 ranches in Elko County, Nevada, made prior to 1933, it appears that one of the principal factors contributing to unsatisfactory loan experience was the loss of use of National Forest, Federal Range, or other outside lands after the loans were made. Obviously, if a ranch has income and expense and debt-carrying capacity based on running 1,000 head of cattle and the carrying capacity is later reduced to 700 or 800 head through loss of outside range, the rancher's earning power is decreased.

Under the present loan policy of the Federal land banks with respect to ranch properties, each ranch is appraised from the standpoint of a complete operating unit, recognizing established range conservation principles. If the use of outside lands is a necessary part of the ranch set-up, provision is made whereby the leases or permits for the continued use of such lands attach to or are considered a part of the fee-owned land. In the case of National Forest and Federal Range lands, forms of agreement have been developed with the Forest Service of the Department of Agriculture and the Department of the Interior to assure their continued use in connection with the fee land mortgaged. In the case of applications for Federal land bank loans on ranches where use of Government lands is a necessary part of the ranch operating unit, the extent to which the earning power of the fee-owned land is increased by such use is taken in consideration, the continued use of such outside range is assured by agreement with the Government agencies having jurisdiction over the lands, and loans are made accordingly.

Although much progress has been made toward attaching the use of National Forest, Federal Range, and other outside lands to the fee-owned land and thereby permitting consideration of the ranch set-up as a complete operating unit, certain elements of risk continue in the picture. Permitted numbers of livestock may be reduced within certain limits; the area on which the permitted numbers are grazed may be changed, possibly increasing operating costs; and there is the question as to whether grazing fees might not be raised, increasing total ranch expenses and thereby reducing net income and debt-carrying capacity. As a consequence of these uncertainties, lower standards of ranch values in relation to income prevail in areas where use of outside lands is a necessary part of the operation than in areas where range lands are largely fee-owned.

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RANGE LAND UTILIZATION AND DISPOSITION "LIVESTOCK RANGE UNITS"

(From Biennial Report State Engineer of Nevada 1929-30)

(George W. Malone, State Engineer)

GRAZING AREAS

"The chief value of these lands, in fact the only value they possess at this time, except where minerals are found, is for grazing purposes and they are being completely utilized for that purpose at this time.

"The reason for the small value attaching to these lands is, of course, primarily the lack of rainfall; wherever the precipitation reaches as much as twelve to fifteen inches per year there is no problem, because dry farming can be practiced on suitable areas and abundant grazing values are available on the remainder; but when the rainfall is only from three to six inches annually, no farming of any kind is possible and large areas are necessary to support livestock; in fact, government reports show that the remaining unreserved public lands in Nevada require on an average of 140 acres to support one cow unit and approximately 40 acres for a sheep unit. It can be readily seen that an enormous

acreage is necessary for the support of a family, since the original 160 acres allowed under the old homestead laws would support only a little more than one cow unit. There is the problem.

"It will be seen that for the support of a family an enormous acreage of this range is necessary and to set up what is known as an economic unit of 250 to 500 cattle or 1,500 to 2,000 sheep an area of 30,000 to 70,000 acres would be necessary and this would correspond to the original 160 acres of land in the more productive areas. Any reorganization of the land laws that might be attempted to permit private ownership must of necessity be flexible enough to cover the highly variable conditions found in these States.

DEVELOPMENT POLICY

"The west and the east hold in general two diametrically opposed ideas as to the undeveloped resources of the west; the west believes that the resources contained within a State, subject to proper reserves, should be developed in an orderly manner and considered as an asset of that State, while a large part of the east believes that the undeveloped public domain in the Western States should be considered as an asset to the National Government, belonging to all of the people and should be preserved for that purpose the same as any other investment. Little conception is had of the magnitude of the development problem of the arid sections.

RANGE ALL UTILIZED

"It is well-known to the stockmen and those familiar with range conditions that all of the public range in Nevada has been utilized for 25 or 30 years, and during that period any new user who has placed additional livestock upon the range has only displaced stock that were already there or caused the range to be overgrazed. No new wealth has been created—rather it has tended to decrease the resources of the State on account of the deterioration of the range due to overgrazing.

RANCHES DEPENDENT UPON RANGE LAND

"The value of the ranches scattered widely throughout the public lands of our State is for the most part directly dependent upon the surrounding range. To preserve such value enough of the adjacent range must be retained to graze the number of livestock during the spring, summer and early fall that the ranch will provide feed for in the winter.

"The assessed valuation of such ranch property is based upon a complete unit in nearly every case, and if the range is to be considered separately or taken from the control of the ranches, then the assessed value of the ranch must be reduced accordingly.

"If each individual were to be given the range unit used by him no new values would be found or created, but the present assessed value would merely be redistributed. The only new value created would be whatever development of the range could be brought about by virtue of more perfect control of the range unit, and it would require considerable time to become noticeable.

PAST AND PRESENT POLICIES

"During the early days the public lands were considered as a source of revenue and settlement of these areas was not encouraged.

"It was soon realized, however, that progress could only be made by encouraging settlement of the land and the general trend of congressional action began to encourage private ownership. This led to the Preemption Act in 1841, giving the right to purchase such land based upon settlement.

HOMESTEAD LAWS

"The first homestead law was passed in 1862 definitely establishing the policy of passing the public lands into private ownership at a minimum cost to the settler, regardless of the value of such lands. During the period from 1862 to 1900 most of that great area from Ohio to the Rocky Mountains, containing some of the richest farm land in the United States, passed into the hands of the settler

for a nominal filing fee to cover the cost of the transfer, no charge being made for the land, the only requirement being that the settler make his home on such land and farm it.

"As the land settlement began to reach the semiarid and arid sections west of the Mississippi River and beyond the Rocky Mountains it was found that 160 acres were not enough land to support a family. This condition led to the passage in 1909 of the Enlarged Homestead Act and later, in 1916, the Stock Raising Act, all calculated to provide the settler with enough land to supply his family. It was soon apparent that even with these later Acts, which in all provided that one man might acquire approximately 1,000 acres of land, it was not sufficient in the arid sections; therefore the land could not be settled. Abundant evidence can be found of the failure of all homestead laws in the arid sections by the abandoned homesteads through that area.

"At the present time practically all of the land of any value is in Government or State forest reserves, or parks, or has been withdrawn from entry for some specific purpose, or has passed into private ownership. Therefor the problem now confronts us, just what are we to do with these remaining lands of little per acre value? Shall we revert to the original policy of 1780 of considering them a source of revenue to the States and Nation, or shall we try to continue the policy of passing them into the hands of actual settlers at the least possible cost? If they are to be passed into the hands of the settlers a complete reorganization of the State land laws will be necessary.

PRIVATE OWNERSHIP OF LANDS

"It is generally concluded from past experience that the ultimate objective for all publicly owned lands should be private ownership by individuals, except those areas that may be properly reserved by the Government or the States for parks, forest reserves, Indian reservations and other proper reserves that may promote the highest ultimate use of such land for the State and the Nation.

"It is thought that any system pointing to perpetual ownership of the land or the natural resources by either the separate states or the United States, except such reservations as already mentioned, would be doomed to failure.

HIGHEST BENEFICIAL USE

"The development of the States depends upon a policy that will allow the development of the natural resources in such a manner that the highest beneficial use of them may be made over a long period of years. The highest beneficial use of the range land is to attach the lands to the feed producing ranches in a year around unit.

"The only value contained in the Western States, where the rainfall is not sufficient to produce crops and where irrigation is not economically feasible, is the grazing value of surface area and such sub-surface values as the lands may contain, such as metalliferous minerals, oils, gas, coal and other valuable deposits that may be found from time to time.

"If the forest reserves, parks and other reservations are to be preserved and the intermountain States are to continue to develop they must provide for the orderly development of whatever natural resources they may have."

CONGRESSIONAL RECOGNITION

The Congress of the United States has consistently recognized the principle of "unit value" in balanced western ranges—attaching the range lands "customarily" used to make up an all year setup with the patented land making up the feed producing areas, through:

1. An amendment to the Taylor Range Act in 1933 known as the "McCarran Amendment," providing in effect that no permit, once granted, should be cancelled as long as there was an obligation on the range unit of which such permit was a part—(suggested by the then State Engineer George W. Malone of Nevada, to conform with customary use and the State laws of Nevada).

2. A recent act by the Congress introduced by a group of western senators—providing a definite method for the War Department to acquire such lands for military purposes through the recognition of such range "unit" rights and values, and their purchase.

AN ACT

Authorizing the head of the department or agency using the public domain for war purposes to compensate holders of grazing permits and licenses for losses sustained by reason of such use of public lands for war purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever use for war purposes of the public domain or other property owned by or under the control of the United States prevents its use for grazing, persons holding grazing permits or licenses and persons whose grazing permits or licenses have been or will be canceled because of such use shall be paid out of the funds appropriated or allocated for such project such amounts as the head of the department or agency so using the lands shall determine to be fair and reasonable for the losses suffered by such persons as a result of the use of such lands for war purposes. Such payments shall be deemed payment in full for such losses. Nothing herein contained shall be construed to create any liability not now existing against the United States.

Approved July 9, 1942.

Recognition and protection of such "range unit" values is necessary to, first: secure such loan, and second: to protect the lender whether it be the government or private loan agencies. This legislation was suggested in a Western Governors Conference held in Washington, D.C., by George W. Malone, representing Governor E. P. Carville of Nevada. This provision was considered advisable for the further reason that if the land were to be purchased by the War and Navy departments outright without the range "unit" recognition that following the war it would mean another federal agency in the field trying to rent the range back to the stockman at an independent price.

Senator BIBLE. Also, I would like to have included in the record, statements on the significance of public lands as a grazing resource and as a part of ranch operations from the study, "Domestic Wool Requirements and Sources of Supply" prepared by the U.S. Department of Agriculture in 1950. I think this material will contribute to a better understanding of the situation.

(The material referred to follows:)

DOMESTIC WOOL REQUIREMENTS AND SOURCES OF SUPPLY

About 71 percent of the Federal Government lands (39 percent of the total land in the 11 States) is utilized for the grazing of livestock. Although the feed production per acre on much of these public lands is low in comparison with that of the privately owned lands, the livestock industry and the general economy in these 11 States have become established with the use of these Federal lands as an essential element. Without the continued use of these lands, a considerable proportion of the ranches which produce the greater part of the sheep raised in these States could not operate as economic units.

Three-fourths of the Federal grazing lands are included in the national forests (administered by the Forest Service, U.S. Department of Agriculture) and in officially defined grazing districts (administered by the Bureau of Land Management, U.S. Department of Interior). The grazing lands in the national forests are used by stockmen mostly for summer grazing, whereas the lands under the control of the Bureau of Land Management are used largely during the other seasons.

In the 11 Western States the total land in farms, in grazing districts, in national forests usable for grazing, in the public domain not in grazing districts, and in Indian grazing lands is about 600 million acres. This is about 80 percent of the land area in these States. Of this total of 600 million acres, about 53 percent is land in privately owned farms and ranches and 47 percent is federally owned or controlled land mostly suitable for grazing. The census report for 1945 shows 494,000 farms or ranches in these States, but only a relatively small per-

centage of them make use of the public controlled grazing lands in their agricultural operations.¹

Of the total land area of 754 million acres in the 11 Western States in 1945, the Federal grazing lands and lands in farms and ranches were reported as follows:

| Grazing lands administered by the Federal Government | Millions of acres | Percent of total land area |
|--|-------------------|----------------------------|
| In grazing districts..... | 141 | 18.8 |
| Other vacant lands, grazing unregulated..... | 25 | 3.3 |
| Indian grazing lands..... | 41 | 5.4 |
| In national forests, usable for grazing..... | 77 | 10.2 |
| Total..... | 284 | 37.7 |

| Lands in farms and ranches | Millions of acres | Percent of total land area |
|--|-------------------|----------------------------|
| Crop land..... | 56 | 7.4 |
| Other land (including 11 million acres of section 15 Federal lands)..... | 260 | 34.5 |
| Total land in farms and ranches..... | 316 | 41.9 |
| Total public grazing lands and farm and ranch lands..... | 600 | 79.6 |
| Total and area of 11 Western States..... | 754 | 100.0 |

SIGNIFICANCE OF PUBLIC LANDS AS A GRAZING RESOURCE

The grazing areas in the national forests are mostly of rough terrain, at high elevations and are well-watered, with timbered areas interspersed with open parks, and have a wide variety of grass and other forage. Because of the short growing season and heavy snowfall, these areas are open to grazing for only a few months in the year, mostly from June to September. There are some exceptions in that in some of the national forests, notably in the Southwestern States, the grazing period is much longer and the proportion of commercial timberland is relatively small.

The grazing land in the grazing districts includes most of the poorest grazing land in the respective States. Much of it is of semidesert type, poorly watered, with a sparse growth of feed, mostly of browse type, and is low in carrying capacity. Although the carrying capacity per acre is low the total acreage is very large; hence this land provides a considerable part of the grazing in a number of the Western States, and has an important role in the economy of the livestock industry of those States. The most common seasonal use is for winter and spring grazing, with some areas used largely in winter and others used largely in the spring. It tends to supplement both ranch-controlled and national forest grazing.

The pasture land included in farms or ranches is mostly the best grazing land. It has a longer seasonal use, much of it year-long, and it is largely under fence. Supplementing the regular pasture acreage is a large acreage of meadowland and stubble land which is usable for grazing after the crops are harvested.

LAND PATTERN OF TYPICAL WESTERN RANCHES

The typical sheep ranch in the western range area has a complex pattern of land use, involving both privately owned or leased land and public lands. This pattern dates back to the early settlement of the area and has been a natural evolution resulting from efforts of the ranchers to provide for the year-round maintenance of their livestock on ranges that are highly seasonal in their potential use.

¹ In 1945 there were 20,635 paid permits issued by the Grazing Service and 21,025 permits were issued by the Forest Service. There are some duplications within each of these groups when the same permittee has more than one permit. There is a much larger duplication between groups, when the same person or company has permits on both grazing districts and forests. No information is available as to such duplication in 1945. It is not unlikely, however, that 20 to 25 percent of the total of the two involved duplications, thus giving a net number of between 31 and 33 thousand permittees, representing between 6 and 7 percent of all farms and ranches in the 11 States.

The mountain areas, which are now largely national forest lands, provide excellent summer grazing, but snow limits their use by livestock during the winter. The sheep rancher, therefore, must look to the lower range areas, including public lands in grazing districts, to carry his sheep through the winter and much of the spring and fall. On some ranches the sheep are trailed or shipped long distances, up to 300 miles, from summer range to winter range. The ranch headquarters usually is located somewhere between these seasonal ranges, generally in a valley or near a year-round water supply, and this particular land becomes the rancher's privately owned or fee land in the land-use pattern of the ranch. Any other lands within this pattern which contain water supplies or are sufficiently productive to raise hay or other feed crops likewise have generally been acquired in fee. Because of the necessity of having adequate feed during the fall breeding and spring lambing periods, many sheepmen have purchased or leased other privately owned range or pasture lands for use at those seasons. In areas where there is enough hay land to provide for the wintering of the livestock grazed on the forests during the summer, the rancher does not have to rely on the open range for winter grazing. Ranchers so situated usually keep cattle, although some sheep are wintered this way.

PUBLIC LANDS AS INTEGRAL PART OF RANCH OPERATIONS

Each segment of this combination of lands thus is essential for the year-round operation of the ranch on a sound economic basis. The utilization of these seasonal ranges in such a combination is the means of bringing the feed and forage production into balance with the maximum number of animals that can be grazed by the operator. Any loss in grazing capacity, whether from range deterioration or other cause, which necessitates a reduction in the number of livestock that can be carried on any one of the parts upsets the balance of the entire ranch set-up and indirectly affects the economy of the area generally. This is particularly true of the range used for summer grazing where the principal weight gains in livestock are made. Any loss in productive capacity of these lands, if not offset by a reduction in numbers carried, is likely to result in further damage to the range and unsatisfactory weight gains, and often necessitates selling more of the animals as feeder stock. Similarly, if for any reason the forage and feed supply should be inadequate, the production results are likely to be unsatisfactory, especially if high-cost feed must be shipped in during emergencies.

In the early days before governmental controls were in effect, the individual rancher often maintained his use of summer and winter grazing areas in competition with other ranchers through his ownership or control of the lands having watering holes or other essentials. Now, the number of livestock he is permitted to graze on the public lands is controlled by the agency administering those lands. He must not only qualify for permits to graze on these lands, but he must accept permits that necessarily provide the administrative agency issuing them to retain the right to make changes for conservation purposes and, under certain conditions, for redistribution. To the extent that a ranch's operations are dependent upon the use of public lands, the number of livestock and seasons of use permitted on these lands in relation to their sustained grazing capacity determines the total number of animals that can be carried on the ranch but not necessarily its total livestock output.

U.S. SENATE,
Washington, D.C., December 5, 1968.

Hon. ORVILLE FREEMAN,
Secretary of Agriculture.
Hon. STEWART L. UDALL,
Secretary of the Interior,
Washington, D.C.

DEAR MR. SECRETARY: I have been advised by Mr. Boyd Rasmussen, Director of the Bureau of Land Management, and many, many livestock permittees of the public domain in the west, that your department proposes to increase grazing fees to such an extent that within a ten-year period the AUM cost will reach the fantastic sum of \$1.23. The annual increase proposed to reach this figure will be 9 cents commencing with the 1969 grazing season when the AUM charge will be 44 cents.

As you are well aware, I have continuously opposed any change from the present system of determining grazing fees based on the average annual price of

livestock sold through western markets. I intend to continue to support this method of determining the AUM charge for the use of public domain lands.

Let me add that I consider the new proposal ill-timed, ill-advised and contrary to the best interests of the livestock industry and the Federal Government. I am forced to the conclusion that the proposal, if successful, would be the first step in the eventual elimination of domestic livestock grazing from the public domain lands.

As a member of both the Appropriations and Interior and Insular Affairs Committees, as well as a member of the Public Land Law Review Commission, I intend to do everything within my power to prevent this tragic and unnecessary attempt to cripple the livestock industry in the West.

Cordially,

ALAN BIBLE.

U.S. SENATE,

Washington, D.C., January 30, 1969.

HON. WALTER J. HICKEL,
*Secretary of the Interior,
Department of Interior,
Washington, D.C.*

DEAR MR. SECRETARY: Early last January I addressed a letter to both the Secretary of Interior and Secretary of Agriculture vigorously opposing the proposed increase in grazing fees to the livestock operators on the public domain and in the national forests.

Despite the objections of many of us in the Congress the Bureau of the Budget on January 14th, 1969, issued a statement that the fees for 1969 would go up to .44 an AUM and would be in ten years reach the astronomical figure of 1.23 an AUM.

It has always been my opinion that any increase should be deferred until the Public Land Law Review Commission has had an opportunity to complete its study and recommend to the Congress the proper solution to this and other public land matters. From your testimony during your confirmation hearings you appear to agree with this position.

As you undoubtedly know a bill (S. 716) was introduced in the Senate Tuesday by Senator McGee that addresses itself directly to this matter. Also the Senate Interior and Insular Affairs Committee will hold hearings next month under the authority of its legislative oversight responsibility to determine the propriety of the increase order.

May I suggest that in view of these actions by the Congress you should give serious consideration to withdrawing the order at least for the 1969 grazing season and until Congress has had an opportunity to thoroughly investigate and take such action as it concludes proper.

My west wishes.

Cordially,

ALAN BIBLE.

Assembly Joint Resolution No. 3—Messrs. Bryan and McKissick

FILE NUMBER 23

Assembly Joint Resolution—Memorializing the Secretary of Agriculture and the Secretary of the Interior of the United States to reconsider the increase in grazing fees on federal lands.

Whereas, The Secretary of Agriculture and the Secretary of the Interior of the United States have announced grazing fee increases of up to 300 percent over the next 10 years; and

Whereas, The Public Land Law Review Commission was formed by the Congress of the United States for the purpose of reviewing all federal land laws, including those pertaining to grazing fees; and

Whereas, Any fee increase at this time is premature, since the Public Land Law Review Commission has not completed its studies on the matter; now, therefore, be it

Resolved by the Assembly and Senate of the State of Nevada, jointly, That the legislature of the State of Nevada vigorously opposes any increase or decrease in the grazing fees on federal lands until such time as the Public Land Law Re-

view Commission completes its studies and urges the Secretary of Agriculture and the Secretary of the Interior of the United States to reconsider the action already taken to increase such fees; and be it further

Resolved, That copies of this resolution be prepared and transmitted forthwith by the legislative counsel to the Secretary of Agriculture and the Secretary of the Interior of the United States and to each member of the Nevada congressional delegation.

[From the Mason Valley News, Jan. 10, 1969].

Cox's COLUMN

This week we dedicate the column to Mel Steninger, co-owner and editor of the Elko Daily Free Press. Dear Mel, shortly after election you gently stuck the needle in Senator Bible as to seniority and its value in protecting the cattlemen. I realized that you had been on Sabbatical leave from the newspaper world and thus a little fuzzy on the Senator's activity so I make haste to enlighten you.

On November 13, of 1968, the secretary of interior advised the Senate Interior Committee that the government should stick the cowman \$1.23 a month for grazing on the public domain. So that the cowman could die slowly the Interior Department didn't want to set the price all at once but over a ten year period. At present the cowman is paying 33 cents per month per animal. This is one and one half times the price of beef per pound on the western market. I think an agricultural advisory committee did recommend another 10 cent raise per month at their recent meeting. Senator Bible will go along with the cattlemen's price setting and you can bet that as a ranking member of both the Appropriations and Interior Affairs Committees as well as a member of the Public Land Law Review Commission that he will protect Nevada and other western cattlemen.

Here is a bit of history on Bible's aid to the cattlemen, keep it in your files and the next time a cowman asks you for a donation to help defeat him set him straight. As you know from living in cow country there is no one who can bawl louder than a cowman unless it is the calves he is weaning.

In January, 1962, Senator Bible, after meeting Nevada members of the livestock industry, protested to the Secretary of the Interior a proposed increase, in grazing fees. His protest held up. In 1963 the same raise was again proposed. So in January, 1963, Bible, as chairman of the Public Land Subcommittee, conducted hearings in Nevada for the purpose of determining what a legitimate charge should be. As a result the cattlemen determined that a fair fee would be the average price per pound of livestock during the preceding year.

In spite of attempts each year of the Bureau of Budget and the BLM officials to increase the grazing fees, Senator Bible, through his position on Appropriations and Interior Committees was able to withstand the pressure for the increase and the formula established on fair market price per pound was adhered to. In 1965 it became necessary for Bible to again hold off the proposed increase.

In 1966, through agreement with the Cattlemen's Advisory Council, a fee of 33 cents or one and one half times the average price per pound of beef in the west was accepted for the 1968 season.

You know that all is not milk and honey with the livestock men who use the public range. In addition to the fees they pay they put much money in improvements. Again the range ain't worth a tinker's damn if snow and rain doesn't come. In many years it isn't worth the trouble to drive the stock to higher or lower range, especially a year like this when the low lying grass didn't come up due to lack of moisture.

By the way, the next big trouble will come from sportsmen who care little for the rights of others when they take to the great outdoors. Cut fences, beer cans, overnight camp trash and poor aim are taking a heavy toll of a once beautiful countryside.

Best regards to your Dad who agrees with me that one printer is worth two journalists.

... To clinch my belief that Nevada cattlemen never had a better representative in Washington, I quote Bible's release to the Mason Valley News and the world in general:

"The Bureau of Land Management, and many, many livestock permittees of the public domain in the west, that your department proposes to increase grazing fees to such an extent that within a ten year period the aum cost will reach the

fantastic sum of \$1.23. The annual increase proposed to reach this figure will be 9 cents commencing with this 1969 grazing season when the aum charge will be 44 cents.

"As you are well aware, I have continually opposed any change from the present system of determining grazing fees based on the average annual price of livestock sold through western markets. I intend to continue to support this method of determining the aum charge for the use of public domain lands.

"Let me add that I consider the new proposal ill-timed, ill-advised and contrary to the best interests of the livestock industry, and the federal government. I am forced to the conclusion that the proposal, if successful, would be the first step in the eventual elimination of domestic livestock grazing from the public domain lands.

"As a member of both the appropriations and interior and insular affairs committees, as well as a member of the public land law review commission, intended to do everything within my power to prevent this tragic and unnecessary attempt to cripple the livestock industry in the west."

[From the Ely Daily Times, Jan. 23, 1969]

FAULTY STATISTICS BASIS OF GRAZING FEE HIKE

Just about everybody we can think of in White Pine County is against the government's proposed hike in grazing fees.

The feeling is so strong—maybe even bitter—on the part of ranchers that the past president of the White Pine Farm Bureau, Dean Baker, told a meeting of the Chamber of Commerce and Mines a few weeks ago that the increase could have disastrous effects on local ranching.

Sen. Alan Bible opposes the increase. Sen. Howard Cannon is against it. Governor Laxalt has spoken out in opposition. Lt. Gov. Ed Fike has condemned it. And, of course, Walter Baring has unlimbered his guns on it too.

But in all the flow of words about what is taking place, we've yet to see the heart of the matter summed up better than Editor Mel Stenniger did the other day in the Elko Daily Free Press, one of Nevada's most widely respected newspapers.

Here's what he said:

* * *

Three fundamentally important factors are being ignored by governmental agencies in the controversial proposal for a 400 per cent increase in the fee charged for the grazing of livestock on the public lands.

The three factors: grazing by domestic livestock is the most useful and vital tool of range management; grazing permit holders do in fact hold a capital investment value in their federal grazing permits; the study cited as justification for the big proposed increase is based on faulty statistics.

Conscientious and informed practitioners of range management, both inside the government and out, are virtually unanimous in their recognition that domestic livestock grazing is the single most useful tool available to the intelligent management of range resources.

Because livestock grazing is such a vital tool in resource management, it is not properly regarded as a consumptive use of forage to be charged out like potatoes at the supermarket. A proper fee structure would be one that recognized the value of livestock grazing and levied a fee based on this recognition of values exchanged—not one based on a one-way transfer of value.

The present attitude of the government agencies which ignores the benefit of livestock grazing as a range management tool also ignores the basic duty and responsibility of those agencies in the area of resource management.

The existence of a tangible capital investment on the part of grazing permit holders—although denied at present by the Bureau of Land Management and the U.S. Forest Service—is hardly a factor open to debate. Congress itself has recognized this investment element in the grazing permits by allowing compensation for permits terminated by military land withdrawals within this state. To argue that the capital investment does not exist is to capriciously avoid the issue.

As is demonstrated so frequently, statistics can be compiled to "prove" any preconceived notion. In the case of the study presented as justification for the

whopping grazing fee increase, an examination of elements of the study reveal the presentation is warped to the extent the conclusions are based on conditions that exist in an extremely small part of the federal government's grazing program.

The condemning flaw in the study is that the survey cited is based on the number of permit holders (people)—rather than on the number of livestock being grazed, or the amount of forage being consumed.

This is demonstrated by the fact that 78 per cent of the permit holders involved in the study hold permits for 1,000 animal unit months or less. The cattle covered by the permits held by that 78 per cent consume only 14 per cent of the forage. The remaining minority of 22 per cent of the users hold permits for more than 1,000 AUMs each—and their cattle consume 86 per cent of the federal forage.

The questionnaires used in the study were sent to permit holders, and the results tallied on the basis of the people involved—not cattle involved—in a manner that would seem to reduce the whole study to a meaningless jumble of numbers.

In consideration of these fundamental points, it would seem the grazing permit holders are indeed justified in their protests of the grazing fee increase; and a thorough inquiry into the motives and capabilities of the federal agencies involved would seem to be in the public interest.

WINNEMUCCA, N-2, DISTRICT ADVISORY BOARD RESOLUTION TO THE SECRETARY OF THE INTERIOR

Whereas the Department of the Interior has announced a new grazing fee proposal which will set the fee at approximately \$1.25 per AUM at the end of a ten year period of escalation. This will amount to a 375% increase. Since there were 339,818 active cattle AUMs licensed in the Winnemucca District in 1967, this will mean a direct dollar loss to the local economy, in this one district alone, of \$37,379 in cattle AUMs and \$3,555 in sheep AUMs this next year and will increase each year to a \$311,732 cattle AUM and \$29,740 sheep AUMs loss per year at the end of the ten year period.

Whereas the range livestock industry is already in dire economic straits, realizing about a 2% or less return on investment. The effect of any fee increase on the small livestock operator would well be disastrous. On a national scale this could affect as much as 20% of the breeding cattle herds. Also affected will be many local rural economies that are dependent on a stable, prosperous and continuing livestock industry.

Whereas due to the coming change of administration the present Secretary of Interior will not continue in this capacity. We feel it is ill advised and unfair for an outgoing Secretary to establish policy for ten years into the future.

Whereas in 1966 the government agencies with the aid and cooperation of the range livestock industry conducted a grazing fee study to determine full market value of public land forage. The results of this study clearly indicated that when all costs are considered, including the annual capitalized value of the permit, the range livestock industry is already paying a just and equitable fee. Therefore, be it

Resolved, That the N-2 District Advisory Board opposes any change in the fee, other than the built in adjustment based on the price of livestock. We further ask that no action be considered until a new administration takes office and until after the Public Land Law Review Commission completes its studies and reports its recommendations.

LESLIE J. STEWART,
Chairman.

CECIL CAMPBELL.

ROBERT COWLES.

ROBERT UNGER.

PETE ETCHART.

CLYDE FISK.

FRANK McERQUIAGA.

RESOLUTION OF THE NEVADA STATE COMMITTEE ON FEDERAL LAND LAWS

MORATORIUM ON CHANGES OF GRAZING FEES BY DEPARTMENTS OF AGRICULTURE
AND INTERIOR

Whereas on November 14, 1968, the Secretaries of Agriculture and Interior jointly announced grazing fee increases up to four times present fees to be applied in ten equal annual increments; and

Whereas such action was precipitated without the foreknowledge, participation or involvement in any way of appropriate advisory groups, among which would include the National Advisory Board Council, the Public Land Law Review Commission, the Congress, State and local government; and

Whereas a change of fee policy as announced arbitrarily anticipates studies and findings which Congress has vested with the Public Land Law Review Commission and its advisory groups; now, therefore, be it

Resolved, That the Nevada State Committee on Federal Land Laws requests that every resource of the State of Nevada and its Congressional delegation be directed to the immediate rescission of the Federal Government's announcement of a grazing fee increase until completion of findings, conclusions and recommendations of the Public Land Law Review Commission as formally enunciated by the Committee on December 9, 1965 and November 29, 1967; be it further

Resolved, That the Secretary of the Nevada State Committee on Federal Land Laws is hereby ordered to submit copies of this resolution to the President of the United States, Congressional delegations of the thirteen western states, the Chairman of the Public Land Law Review Commission, the Secretary of the Interior, Secretary of Agriculture, Chief of the U.S. Forest Service, Director of the Bureau of Land Management, and the Governors of the respective western states.

NEVADA FARM BUREAU FEDERATION,
Sparks, Nev., November 25, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: Speaking on behalf of the more than 1600 ranch and farm families of Nevada that are members of the Nevada Farm Bureau, I urge you to lodge a strong protest with the Secretary of Interior and the Secretary of Agriculture with reference to the proposed increase in grazing fee on Public Lands. We urge that you do this as a senior member of the Public Land Law Review Commission. Inasmuch as this is a complete and outright disregard for the study now being made by the Public Land Law Review Commission, we feel that this would be very appropriate for you to lodge this protest at this time.

I enclose a copy of our resolution that was passed at our recent convention. We feel that this proposed increase in grazing fees would be a large economic loss to the entire state of Nevada, as all segments of the economy would be affected.

This type of action must be stopped before it can take effect. May I hear from you concerning your reactions.

Sincerely,

W. A. HICKS,
Executive Secretary.

GRAZING FEES RESOLUTION

Nevada Farm Bureau deploras the continued harassment of range users by bureaucratic land administrative agencies.

Evidence indicates there is no justification for escalating grazing fees at this time, predicated on the following reasons:

We believe Congress and all Federal Agencies administering public lands should withhold any changes in basic policy fees and regulations for use, until the Public Land Law Review Commission has completed its report.

The livestock industry at the present time is caught in a cost price squeeze with parity at an all-time low. Any further costs would result in economic disaster to many users.

According to study by the Dept. of Agriculture and Dept. of Interior, indications are that ranchers and farmers are receiving only 2% return on their investment. This does not include capitalization of the grazing permits and improvements on the Federal Domain.

It is incomprehensible that this bureaucratic decision would be made during a lame duck period on an issue of such vital economic importance to the livestock industry. If this administrative order is not revoked, we shall call for a Congressional investigation during the next session of Congress.

EUREKA, NEV., February 16, 1969.

HON. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: We wish to thank you for your extended efforts to obtain a reasonable grazing fee rate for users of the public domain in Nevada.

Numerous studies have been made by different government agencies on financial conditions faced by Western stockmen, all show the same results; that the stockman barely breaks even on his operation regardless of how competent he is.

I am of the opinion that persons supporting this fee raise could care less about the financial conditions of Western stockmen, and in fact hope this fee raise could be the lever to remove us once and for all from the public domain, allowing it to return to wilderness conditions, or "like it once was," as I have heard it termed many times by conservationists.

Removing all domestic livestock from the public domain could be justifiable if letting the range lands return to wilderness conditions is what the public really wants or needs, but if the truth is known I believe most of the opponents of a secure tenure for western ranchers, a lower grazing fee, or any thing else favoring the Western stockman, would make an about face in their opinion.

First there is the subject of game, and I am speaking now only of Central Nevada, Eureka and Lander counties, a section of country with which I am very familiar.

Before the white man came with his sheep and cattle *and horses*, about 1870, there was no big game to speak of and *no* mustangs.

These facts are almost unknown to the general public and a very different picture is often painted by spokesman for Wildlife and Conservation groups, but they are true. I am sorry to say that the majority of stockman have little interest in whether there was or was not any big game before their predecessors arrived 100 years ago. If they had shown some interest and conducted a little research twenty or more years ago they probably wouldn't be fighting for their financial lives now.

Enclosed is a copy of a letter on the Big Horn Sheep published in the Eureka Sentinel and Reese River Revielle newspapers some time ago. To anyone interested in game birds it should be known that the years with the largest population of sage grouse (sagehen) in the memory of anyone living today, coincide with the years of the largest domestic sheep population, some 40 years ago. A coincidence? Very likely, but also a very unusual one. I can elaborate and verify the above statements, but it would take more space than available here.

These remarks pertain only to Central Nevada. I fully realize that range and game conditions are much different in other states.

Whether or not the public lands return to "as they once were conditions," or whether or not the big game increases or decreases, has little significance compared to another picture on the same wall, and that is the disappearance of "The West". The Old West to some, the Wild West to others. Do people forget that these ranches are "The West", and all that is left of the old and romantic part of it. A big percentage of these cattle and sheep ranches can trace their operations back almost a hundred years, and many of them still have on them buildings, corrals, even customs, 80 or more years old. Does it make sense to preserve Ghost Towns, even erect fake ones, for tourists, and then deliberately destroy these cattle ranches in the name of public interest or conservation? After all, these ranches are what cowboys are all about, and there are very few who don't have some respect for his image. Even the BLM officials must feel some nostalgia and compassion for the stockman of the past, if the pictures hanging on the walls in their office are any criterion. Copies of Charles Russell and other western paintings adorn their walls aplenty. These old time artists would turn in their

graves if they knew what the people who fancy their work are trying to do to the land and conditions that fostered their origin.

These ranches using the public domain in Nevada have other values to the general public than the livestock they produce.

Perhaps I can illustrate.

We live on a ranch, originating more than 100 years ago, but most of the buildings, corrals and so forth were built around 1914, not old compared to some ranches in Nevada. Some friends visited us recently, from no further away than Reno. That they found the ranch interesting was putting it mildly, as one remarked "it was better than a trip thru a museum." I am sure his sentiments would not be considered unusual if compared to other individuals who has a similar opportunity to see an old-time cattle and horse ranch.

And how about the domestic stock themselves? Are they so boring to their appearance, as to warrant total disinterest?

We occasionally drive cattle near Highway 50. The reaction of tourists to the sight of a couple of hundred cattle moving in one unit seems to be anything but repulsive. They ask many questions, expend some time and a lot of film, and more than a few express amazement that cattle and sheep are still handled and raised in this manner, anywhere in the United States. It is safe to say that for some people the sight of livestock in this manner rank among the most interesting parts of a vacation tour.

One can view almost any kind of creature that lives on the earth, in some of the large zoos throughout the United States, including cattle, horses and sheep, which are as unusual to many of the younger generation as a giraffe.

But the West is the only place one can see domestic livestock as they once were, in their natural and appropriate place, on the open range. Mrs. Velma Johnson (Wild Horse Annie) of Carson City recognized this several years ago. It is a tribute to her foresight that legislation protecting the so-called Wild Horse was enacted.

These horses, the cause of much trouble and publicity, were not the Spanish Mustangs, or even descended from them, as the Spanish Mustang somehow never got into the Central part of Nevada. The Wild Horse in this area and as far west as the Sierra Nevada Mountains can be traced back no earlier than 1860. In fact it is safe to say that more than half the wild horses in Nevada at present, are descended from stock that were termed domestic no more than 10 or 15 years ago.

It was the practice in past years for ranches in this area to maintain a herd of range horses from which to obtain saddle and draft stock. With the mechanization of haying equipment and lack of competent horse breakers, and *most important, doubling of the grazing fees on range horses*, all practical stock men either got rid of his range horses or simply neglected them.

Few laymen know that a herd of gentle range horses, regardless of their breeding, if neglected 5 or 6 years, can produce the finest bunch of "Mustangs" anyone ever saw.

I offer this brief resume on horses in our area to point out this fact: The horses that Mrs. Velma Johnson (Wild Horse Annie) has been so successful in protecting, and the horses the few sentimental stockmen still raise on the range are one and the same.

Wild Horse Annie is continuing her efforts to protect these horses to the point of having them declared "rare and endangered," and I have no doubt she will be successful. The stockmen would do well to enlist her aid in their efforts to obtain a just grazing fee.

The few sentimental and impractical stockmen (ourselves included) still raising horses on the open range will have to dispose of them shortly or face trespass action. These horses bring about \$35.00 to \$50.00 a head when they are grown. The fee this year, 1969, (doubled the cattle fee) is to be 88¢ a AUM or about \$8.80 for a 10 month year, or about \$26.40 in grazing fees alone, to graze a horse on the range for 3 years. It doesn't take much arithmetic to see why the stockman who still keep these half wild range horses do so out of sentimental reasons only. It is our intention to sell all of our range horses (about 60) this spring. It will end 70 years of horse raising represented by four generations of the Damele family. This is occurring on a few other ranches in Nevada, but it surely won't have any economic impact on the state.

I feel that the presence of these horses have a value that is above what the stockman can sell them for, and above what the BLM can get out of them for a grazing fee.

The range lands on which we run our livestock is readily accessible to anyone with a four wheel drive vehicle, and it is visited by many deer hunters, some campers, prospectors, and people out just to look around.

It is interesting to note that of all the beautiful scenery and wildlife, our range horses command more attention and conversation than any other single subject on the range.

To most of these people they are "wild horses," and indeed they are, although they wear our brand. I am sure these horses give as much visual pleasure to the public as any in the state, branded or unbranded, and in all probability are far more beneficial in this respect than those on wild horse preserves.

Few of the average populace can visit the preserves in existence because of their inaccessibility. Furthermore these range horses are more or less controlled so over population will not result. And a fee, more than reasonable, is being paid for their use and the public domain.

To the purist, perhaps these horses are not wild, because they are branded. I defy any of these individuals to ride with me in observance of these horses and point out those which are wild and those which are not.

So we have on one hand Federal action to save a horse, possibly going to the extent of having it declared "rare and endangered," and on the other hand Federal action to dispose of this same horse by reason of a unpayable grazing fee, because he wears some stockmans brand.

Establishing a reasonable fee per AUM, with a horse on the same basis as a cow, instead of doubled, would serve the public and the government far more than establishing wild horse preserves or declaring them rare and endangered.

The last administration made quite an issue of the population shift from farms and ranches to the cities. It was implied this was undesirable.

I can assure anyone interested that I am not encouraging my children to remain on these ranches, although they show every inclination of wishing to do so. Past actions on the part of the Federal Government in the way of allowing cheap beef imports and charging unpayable grazing fees, indicate they are not interested in keeping the youth on the ranches but are actually hopeful in getting them to move.

The money received from a fee raise is insignificant as money goes in Washington. It won't buy stamps for the BLM.

The increase of the fee will end the West as we know it, and as the rest of America prefers to think of it.

The whole nation will owe you a debt of gratitude if you are successful in stopping this unfortunate action of the Department of Interior.

I would like to have this letter made part of the records at the hearings scheduled for the latter part of February 1969.

Sincerely,

PETER J. DAMELE.

NEVADA LEGISLATURE,
February 10, 1969.

Hon. Senator BIBLE,
U.S. Senate Chambers,
Washington, D.C.

DEAR SENATOR BIBLE: It was most gratifying to read in the Nevada Journal of your meeting with Secretary of the Interior, Mr. Hickel in regards to the proposed increase in grazing fee proposed by past Secretary Udall.

As Chairman of the Nevada State Central Committee I wish to inform you that we stand ready to be of any assistance to you at any time.

I sincerely believe that there are many other things to be considered besides the Statistical Research Service study that they have resolved the present fee structure on; such as consideration be given as to whether a variable fee may be considered in certain areas. And that possible consideration may be given to the weight of calves coming off of Bureau of Land Management lands versus that of calves coming off of private lands.

I mentioned these factors to Director Rassmussen at the National Advisory Board Council meeting in San Francisco in December and I think he felt there may be some merit to it.

It seems to me to go on with any change in the formula for grazing fees before the Land Law Revision Commission has reported their findings would be very premature.

It is gratifying to know that the livestock industry has a friend in Washington and again may I say if there is anything the Central Committee may do to help you please do not hesitate to call.

Yours very truly,

Roy Young, Chairman, Nevada State Central Committee.

WILLIAM STOCK FARMING CO.,
Paradise Valley, Nev., November 15, 1968.

ALAN BIBLE,
Senator from Nevada,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: The perennial problem of the range livestock industry, a grazing fee increase, is upon us again.

As I understand the present proposal, we will receive an increase to 44¢ per AUM this year with a gradual escalation to around \$1.25 at the end of a ten year period. It is impossible to predict the economic condition of the industry for ten years ahead. This fee could very well be disastrous at that time. Especially to the small family-type operation. I will not elaborate upon the serious economic situation of the cattle industry at the present time as I know you are only too well aware of these conditions.

Further, I do not believe that it is right for a Secretary to dictate a policy that will be in effect for ten years when it is quite evident that he will not serve in this capacity for that long. This problem should be deferred to the next Secretary.

Last year the federal agencies and the livestock interests conducted grazing fee studies. I believe the agencies should definitely recognize the capitalized value of the grazing permit as a cost of doing business. Even though the studies clearly show that it is an annual cost of raising livestock on the federal range lands, the government does not recognize this. In requesting no increase in grazing fees, other than the automatic built-in variance due to the fluctuation in price of livestock, I feel that the range livestock industry is asking for only fair and equitable treatment in view of economic conditions and also based upon the past grazing fee study.

I hope you will be able to assist us in this problem as you have so many times in the past.

The Nevada State Cattle Association had a very good convention in Elko. The theme was water and quite appropriately it rained all the time we were in session! I was quite sorry that you could not be present but fully understand the many duties and obligations of your office that prevented you from being present.

I wish to congratulate you upon your reelection to office.

Respectfully,

LESLIE J. STEWART.

FALLON, NEV., November 20, 1968.

HON. ALAN BIBLE,
U.S. Senate, Washington, D.C.

DEAR SENATOR BIBLE: I am attaching a copy of a letter which I have written to the Bureau of Land Management protesting the proposed increase in grazing fees.

The letter is self-explanatory, and I hope that you will do everything in your power to stop this absurd increase. If this is allowed to go into effect, it will put every operator who is running on Federal land out of business.

Sincerely yours,

IRA H. KENT.

[Enclosure]

FALLON, NEV., November 20, 1968.

BUREAU OF LAND MANAGEMENT,
Carson City, Nev.
(Attention Mr. Jones).

GENTLEMEN: We would like to protest the proposed decision by the Secretary to increase the grazing fees from the present 33¢ per AUM to \$1.23 per AUM.

In the first place all studies which have been conducted, have shown that the livestock industry cannot operate at a profit with an increase in fees. If this

increase in grazing fees is permitted it will put every legitimate cattle operator out of business as we are faced with rising costs through taxes, machinery and labor. Nearly all operators have been making range improvements through water developments, seedings, etc. This would all have to stop. We have not received any increase in livestock prices for the past twenty years. As everyone knows, our operating costs have increased 100% already.

We urge that the Carson City advisory board take every action necessary to block any increase in grazing fees.

Sincerely yours,

IRA H. KENT,
Silver Range Ranch.

LAS VEGAS, NEV., February 4, 1969.

Senator ALAN BIBLE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BIBLE: The hearing on the increase in grazing fees has come to my attention.

I want to go on record as favoring the increase. Where can anyone possibly feed a cow as reasonably as on federal range even with the increase. It would not be too much to charge \$1.00 per animal unit per month. Try feeding a cow "\$40.00 per ton" hay and then make a comparison. An average cow will eat her weight in hay each month so that would be one half a ton or \$20.00 per month. There, I ask is it too much to ask the ranchers to pay 50¢ per month to feed a cow or horse when it costs the rest of us \$20.00. It is time these large wealthy cow outfits started paying a little more of their rightful cost of running the good old U.S.A., particularly when they make their wealth by using public lands that rightfully should belong to all of us.

* * * * *

Sincerely yours,

L. F. WILKINSON.

ELKO, NEV., January 12, 1968.

Hon. Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I wish to thank you for the help you are giving we as livestock people pertaining to the fee raise proposed by the Forest Service and Bureau of Land Management. There was a very good article in the two local papers as to your stand on the fee situation. This thanks also applies to previous instances (which have been many) you have come to our rescue.

I am sure that you are fully aware of the importance a healthy agriculture has has on so many of our local communities and also our state. Much of our state is still dependent on agriculture for its income.

Thanks again for your help and if I can be of any help to you in the high office which you hold please let me know.

Respectfully yours,

LOYD SORESENSEN.

ELY, NEV., December 11, 1968.

Hon. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR HON. ALAN BIBLE: I have been asked by my group, The White Pine Cowbells, to protect the increase in grazing fees on public land.

I personally feel this is a great injustice. Farmers and ranchers are already paying their share of taxes plus having to compete with the import of foreign beef. Now they are being asked to pay this unfair fee.

Our local paper recently had an article stating that much of the raise is to pay for improving recreational areas. Wouldn't it make much more sense to charge people for the use of these facilities. People are very careless with things handed them, but take much better care of something they are paying for. It just isn't fair to have livestock people carrying the burden.

If the Bureau of Land Management needs more money why don't they cut down on expense. The state is divided into several districts under the BLM.

Each district has a building and many, many employees. Why couldn't a few people handle each district and be responsible to one main office. The present system is a ridiculous waste of money.

The BLM method of trespass is a disgrace. Year after year I have seen this used as a petty means of getting even for petty grievances and grudges. Neighbors turn one another in. Isn't this the same tactics the communists use?

Why is the BLM separate from the Forest Service? Aren't they trying to accomplish the same ends? Weren't they both started to help the ranches? Now they are using their office as a club over the ranchers head. They should not have the power to threaten anyone. Their jobs were created to help not destroy.

One more thing should be taken into consideration. They set themselves up in business to sell grass which is fine, but they collect a fee even when they have no grass to sell which has been the result of the recent droughts all over the country. There is no group or individual who would be allowed to stay in business for selling something they don't have. Why is the BLM allowed to practice this?

Sincerely,

HELEN J. HANCEN (Mrs.),
Secretary, White Pine Cowbells,
Tonopah Stage.

RENO, NEV., December 19, 1968.

HON. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: I am writing you in regard to the recent rise in grazing fees. I met you in Reno at the coffee break at the Mapes Hotel. Mr. Carano introduced me to you.

These grazing fees are getting entirely out of hand. I guess they don't want us on public lands any more.

Do you realize that we cannot operate at \$1.23 for the kind of range we have here in northern Washoe. Hoping to hear from you on this matter, I am

Yours truly,

CAESAR GASPARL.

HICO, NEV., February 5, 1969.

HON. ALAN BIBLE,
U.S. Senate,
Washington, D.C.

DEAR FRIEND: I wish to thank you for your efforts to hold down the price of grazing fees on our cattle grazing. I have discussed this issue with many cattle men here, and they all feel the same, that a raise would ruin the cattle men here in Nevada. Our grazing condition here is much poorer than most other states.

Thanks again for your stand on this situation and if there is any way we can help, please let us know.

Best regards to you and your family.

ERNEST HIGBEE.

WADSWORTH, NEV., November 25, 1968.

HON. SENATOR BIBLE,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR: I have noted through news media and other agricultural informative services that the United States Department of Interior, Bureau of Land Management is considering a raise in grazing fees on the public grazing lands. We in the West, especially Nevada, operate on a day to day, month to month basis. This is due to the amount of precipitation and the availability of forage for animals.

As you are well aware, without being prompted, much of the desert areas of Nevada would be useless for grazing except for the few remaining hard working pioneer type individuals, who make these areas work. I have often felt that the Government should pay these users for their sincere fortitude in making these vast expanses some value to the economic stability of this state.

With the increase in the next ten years as the Department of Interior has projected, it would appear that the Livestock Industry of Nevada is in for a

severe "shaking up". The cost per animal unit month as set up by the Government would be prohibitive. Under the programs and policies of our Grazing Service Office we could no longer operate. For development, maintenance, and operating of most the grazing areas of Nevada a substantial investment is necessary, normally fencing, wells, pumps, etc. and as you well know, without vested right in title—only grazing privileges. For the above reasons and for what the BLM has to offer the operators of this area. I feel the BLM is in an envious position.

I have always felt that a more than adequate base property set up was a prerequisite to any grazing privilege. In the thirty-five years as an active participant in the livestock industry this has held true. The basic principal is the percentage of reproduction of animals. The forty to fifty percent calf crop on a strictly 12-month grazing privilege does not pay the current bills. I sincerely believe that all these points should be considered.

I urge the Nevada Congressional Delegation to vehemently oppose any increase in grazing fees until such time as they have positive economic stability to offer users.

Sincerely,

HAROLD P. DEPAOLI.

AMERICAN OIL Co.,
Winnemucca, Nev., December 16, 1968.

Hon. ALAN BIBLE,
U.S. Senate,
Washington, D.C.

DEAR SIR: The program proposed for the increase of the grazing fee in Humboldt County, Nevada has come to our attention. We feel that, in doing business with the majority of ranchers in this area, it is our responsibility to contest, this increase.

Ranching comprises a large portion of our economy, and to be more specific, it is one of the few industries we entertain.

We feel the loss in dollars and cents of \$388,470.00 for our county alone will probably put us on the map as the latest ghost town in Nevada!

Sincerely,

WALT SCHROYER,
American Oil Agent.

RANCH-NYALA,
Tonopah, Nev., December 24, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.:

We oppose the 400% increase in grazing fees set by two bureau despots, who issued these orders in revenge, for one secretary threatened us with ruin, "Complete control or ruin our business" and thus this order of ruinous fee increase.

Any upward revision of grazing fees should not be allowed when the Public Land Law Review Commission was busy working on a report and investigation of our problems or raise. The livestock business has had to go in debt more each year to operate due to the cost price squeeze caused by government controls and foreign trade of cheaply produced meats and huge taxes.

We insist you Bureaus use the present fee formula based on the price of livestock. The present BLM policies are deviating from the intended policy of Congress when it passed the Taylor Grazing Act in 1934.

This Act was passed to stabilize the livestock industry but now the Bureaus are using the same act to destroy the livestock industry. This desert land in Nevada is useful only for agricultural use in connection with private lands to raise feed for livestock when it's too dry or other weather conditions prevent growth of feed to feed our livestock on range.

We have paid an average of \$3,000 in fees a year for 18 years here in District Six grazing district which is all the Land is worth \$54,000 fees and our loss is 10% because the cattle starves to death even though we work so hard to get them in to feed the hay we have been at great expense to raise. There just isn't water to make use of this country in any other way. The Dept. of Agriculture has indicated the ranchers are receiving a 2% return on their investment. This does not include capitalization of our grazing permits or the

tremendous cost of improvements constructed and maintained on the range to be able to use it at all without paying exorbitant fees, which already are all we can bear.

Right now the industry cannot endure the high cost of operating and compete against low quality low cost productions of foreign imports (without inspection and all government controls we endure to produce the meat). Get Congress as a body to lodge an official protest.

Government officials job is to help the people; instead of taking everything we can produce to make paupers you can give handouts.

Please wake up America; thru Congress.

Yours sincerely,

Mrs. MINNIE SHARP.

RENO, NEV., November 24, 1968.

HON. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR MR. BIBLE: I am writing to you in regards to the recent announcement by the BLM to raise the grazing fees to \$1.23 per AUM in my area in Washoe County our forage doesn't justify us paying that much. I think 33 cents per AUM is more than I can pay according to our present cattle prices.

Hoping that you give this matter your wholehearted attention.

Yours very truly,

LOUTE DANDREA.

FIRST NATIONAL BANK OF NEVADA,
Reno, Nev., December 2, 1968.

HON. ALAN BIBLE,
U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR ALAN: The purpose of this letter is to inform you of our concern about the proposed adjustment of grazing fees in 1969 on National Forest and Public Lands.

Our ranchers and cattlemen have endured some very precarious years in the past and it is my considered opinion that if the fees are raised as proposed, this segment of our state's industry will be severely jeopardized.

I hope before any definite action is taken to approve this proposal, you will give your very careful consideration to the consequences it could have here in the State of Nevada.

Sincerely,

A. M. SMITH, President.

BLUE EAGLE RANCH,
Ely, Nev., December 4, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: I am a 21 year old cattle rancher and am writing in protest to the raise in A.U.M. fees. The present fees are high enough to keep any profit for the small rancher at a minimum. I am appalled that our Government would put the small rancher out of business by raising the A.U.M. fees. It is common knowledge that the rich people, who have ranches, use them for tax deduction purposes only; therefore, they don't mind paying these outrageous fees! The rancher who raises cattle for a living cannot possibly compete. I, for one, as a young rancher, know that if the fees are raised I will lose my business! Therefore I will protest every move made in that direction.

I did not choose ranching because of lack of education, but because I love it. I urge you to protest strongly this fee raise. Thank you.

Sincerely yours,

EARL F. SHARP.

WELLS, NEV., December 1, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: I ask your co-operation in effecting the deferment of any action to raise grazing fees on public lands until after the current study

by the Public Land Law Review Commission has been completed, and public hearings are held.

If enacted into law by the present Congress in a possible special session, the economic results to the cattle industry would be disastrous. As you know, we cattle producers are already operating at a loss, due to constantly rising production costs and a depressed market. The proposed raise in grazing fees would threaten the survival of the cattle industry, particularly in this state where such a large percentage of the land is controlled by the Federal government.

Please use your influence to postpone any increase in fees on public grazing lands until the new Congress has held hearings and thoroughly investigated the matter.

Thank you for your immediate attention to this problem.

Sincerely yours,

W. R. PEAVEY.

CARLIN, NEV., December 4, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: We protest the recommended grazing fee increase and urge you to protest also.

If this fee increase is allowed to go in effect it is going to put many of the range users out of business, and this in effect is going to hurt the livestock industry and the entire economy of our state.

Sincerely yours,

Mr. and Mrs. HALE BAILEY.

B & W LIVESTOCK,
McGill, Nev., December 9, 1968.

Senator ALAN BIBLE,
Washington, D.C.

DEAR SENATOR BIBLE: This is another of the many letters you are receiving regarding this proposal Mr. Udall and Freeman are trying to push.

The increase in grazing is not bad enough but the system used to arrive at this figure. When a cow on federal range has to walk five miles to water how could they ever compare federal range to private and leased lands.

Everyone knows this is just another slap in the face to the new administration.

Let us hear your formal protest clear out here in Nevada.

Yours very truly,

LEWIS O. WING.

DUCKWATER, NEV., December 9, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: The recent action taken by the Secretaries of Agriculture and Interior to increase grazing fees on public lands has been received with shock and disbelief. As you well know the livestock industry in the United States is in a serious situation, being caught in a cost-price squeeze with parity at an all time low. Any additional cost would substantially add to the burden now faced by the industry, the apparent inconsistency of the policies of both departments is brought forth by this drastic proposed raise in grazing fees. This action clearly shows that present Department of Interior policies are deviating from the intended policy of stabilizing the livestock industry as proposed under the Taylor Grazing Act of 1934 to their present policy of the extermination of the livestock industry in the United States. Neither department has acted in the best interest of the livestock industry in recent years, and if the grazing fee increase is an indicator for the future any hope we may now have will quickly be snuffed out.

We are writing in hopes that you will be able to counter this proposed action by seeing that use of the present fee formula, based upon the price of livestock not on a formula based entirely on forage value on private and leased lands, be continued; any upward revision of grazing fees be postponed until the Public Land Law Review Commission has completed its report; and interests of the American livestock industry be given fair consideration and not be at the mercy

of Washington bureaucrats. Your efforts in aiding the industry will be greatly appreciated.

Sincerely yours,

EDWARD J. HALSTEAD,
Halstead Ranches,

TONOPAH, NEV., *December 9, 1968.*

Hon. Congressman WALTER BARING,
Hon. Senator ALAN BIBLE,
Hon. Senator HOWARD CANNON,
Nevada Congressional Delegation, Washington, D.C.

GENTLEMEN: I refer you to the proposed increase in Grazing Fees for the use of public lands which is being advocated by our land administrative agencies and which would certainly result in the economic disaster to many livestock operations throughout this area.

First let me say that we are only one of the many livestock raisers located in the Nye County, Nevada area, who feel strongly against the continued harassment of range users by bureaucratic land administrative agencies who refuse to take into consideration the conditions of this desert range and the weather element that we as range users, must continually cope with in order to survive as livestock producers. The Stone Cabin Ranch owned and operated by Joe Sr. and Albina Clifford for the past fifty-three years and the Clifford Family before that, involves an operation in the production of livestock for the past seventy odd years and in the passing death of Joe Clifford Sr. only last week, we as his family feel even more strongly, that we must ask you as our congressional delegation to Washington, to give us the help and support that every livestock producer in this vicinity feel he is entitled to. The livestock industry is vital to the economic growth of our State and if this proposed hike of fees is put into effect along with the high costs of operating which exist at the present time, then it will mean the end and not even survival for the many livestock producers throughout our state of Nevada. We feel that you, as native Nevadans, are thoroughly acquainted with the effort and hardships, the high cost of supplies and maintenance, the element of weather, such as droughts and hard winters, the continued rise of taxation and now the exorbitant proposed increase for grazing fees on public lands, so we ask your continued help and effort in keeping one of the oldest industries of our great State and it's survival. We place our complete faith and trust in you, as our delegation and we thank you for your continued effort in this matter.

Respectfully submitted in protest by

JOE CLIFFORD, JR.
RAY CLIFFORD.
ALBINA CLIFFORD.
MARGUERITA BOSCOVICH.

PARADISE VALLEY, NEV., *December 10, 1968.*

Hon. Senator ALAN BIBLE,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR: We wish to protest the proposed increase in Forest Service and Bureau of Land Management grazing fees.

We are cattle ranchers in the Paradise Valley (Humboldt Co.) area for the past 23 years and hold a grazing permit on the Forest Service and BLM lands. It is very necessary to our operation to graze our cattle on federal lands, during the spring and summer months. Perhaps you may already be familiar with the struggle of the cattleman, due to the low cattle prices, high cost of labor, machinery, taxes, etc., leaving a very small margin of profit at the best and in many instances none at all.

The cattle industry in its present depressed condition, cannot stand the proposed 400% increase in grazing fees. It seems quite out of reason, considering we shall have a new administration for the present Sec. of Agriculture and Sec. of Interior to set policies for the next ten years. It seems only just that sufficient time be allowed for the Public Land Law Review Commission to complete their grazing fee study, before a decision is made.

We strongly urge you to do all in your power to prevent and increase in grazing fees.

Very truly yours,

LEWIS and RUBY MILLER.

THE ELKO CHAMBER OF COMMERCE,
Elko, Nev., December 22, 1968.

HON. ALAN BIBLE,
U.S. Senate Building,
Washington, D.C.

DEAR SENATOR BIBLE: On February 2, 1968 we wrote you regarding the grazing fee formula change proposed by the U.S. Forest Service. Due to the late action of the Forest Service and Bureau of Land Management in changing this fee structure we again urge that you do everything in your power to forestall any action until the Land Law Review Commission has completed its study and presented its case to Congress. The impact of the proposed changes on the ranchers, businesses and local economy is quite obvious and of vital concern to everyone in Elko County.

Respectfully yours,

Dr. JOHN H. MARTIN, Jr.,
Vice President.

BAR N BAR RANCH,
Eureka, Nev., December 13, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SIR: I received the news of the proposed increase in grazing fees on federal land with shock and concern.

The livestock industry cannot absorb this increase and stay in business. We only make a 2% return on our investment now and with this increase on top of the cost-price squeeze we have been facing, we are going to be forced off federal range.

I am asking you to do all that you can to stop this increase and to see that the present fee formula based on the price of livestock is continued.

Sincerely,

JOHN GJERDE.

BAR N BAR RANCH,
Eureka, Nev., December 13, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SIR: I received the news of the proposed increase in grazing fees on federal land with shock and concern.

The livestock industry cannot absorb this increase and stay in business. We only make a 2% return on our investment now and with this increase on top of the cost-price squeeze we have been facing, we are going to be forced off federal range.

I am asking you to do all that you can to stop this increase and to see that the present fee formula based on the price of livestock is continued.

Sincerely,

TORRIS GJERDE.

WINNEMUCCA, NEV., December 8, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

HONORABLE SENATOR BIBLE: I, John Ferraro, was born and raised in the livestock industry in Paradise Valley. My family has been in the livestock business since the 1860's.

Recently, I bought my sisters interest in the ranch and am deeply in debt.

With the increase in grazing fees there is no possible way for me to even make an existence here let alone try to get out of debt.

For me and the many others in the same situation, please do your utmost to control the rising cost of the grazing fees.

Thank you.

Very truly yours,

JOHN FENACO.

DUCKWATER, NEV., December 8, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: The recent action taken by the Secretaries of Agriculture and Interior to increase grazing fees on public lands has been received with shock and disbelief. As you well know the livestock industry in the United States is in a serious situation, being caught in a cost-price squeeze with parity at an all time low. Any additional cost would substantially add to the burden now faced by the industry, the apparent inconsistency of the policies of both departments is brought forth by this drastic proposed raise in grazing fees. This action clearly shows that present Department of Interior policies are deviating from the intended policy of stabilizing the livestock industry as proposed under the Taylor Grazing Act of 1934 to their present policy of the extermination of the livestock industry in the United States. Neither department has acted in the best interest of the livestock industry in recent years, and if the grazing fee increase is an indicator for the future any hope we may now have will quickly be stuffed out.

We are writing in hopes that you will be able to counter this proposed action by seeing that use of the present fee formula, based upon the price of livestock not on a formula based entirely on forage value on private and leased lands, be continued; any upward revision of grazing fees be postponed until the Public Land Law Review Commission has completed it's report; and interests of the American livestock industry be given fair consideration and not be at the mercy of Washington bureaucrats. Your efforts in aiding the industry will be greatly appreciated.

Sincerely Yours,

ED and BEATRICE HALSTEAD,
Halstead Ranches.

BAKER, NEV., December 12, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: It is with great concern that I am writting to you, in protest to the drastically proposed increase in grazing fees, and also the proposal to change the fee formula.

No fee increase should be made until the Public Land Law Review Commission has completed it's report.

In deciding the fee for grazing on Public Land as opposed to Private land, it should be recognized that private land brings more return than public land. In that the percent of calves sold is considerably higher. Therefore private land is worth more than public land.

The fee formula should be based on the price of livestock, not according to the value of private and leased land. As I've said there is no comparison between public land and private land here in Nevada.

The Taylor Grazing act in 1934 was established to help stabilize the livestock industry. The proposed increase in grazing fees would destroy the Livestock people here in Nevada.

It seem's to me in observing the work of the B.L.M. and Forest Service personnel here, that they have unlimited funds so why raise the fee on grazing to pay for the padded work force which they have. It seem's that these two departments need looking into.

Thank you for your interest in the Livestock Industry.

Sincerely,

EMERSON W. GONDER.

NEVADA WOOLGROWERS ASSOCIATION,
Elko, Nev., December 2, 1968.

HON. ALAN BIBIE,
Senate Interior and Insular Affairs Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: On behalf of the Nevada Woolgrowers Association I would like you to view with alarm and be wary of the recent proposal by the Forest Service and BLM on the increase in the grazing fee.

It is not that we object so much to the increase in fee as we do to the undemocratic procedure in which it was advanced. As you know, a gentlemen's agreement was arrived at last year wherein all parties concerned would abide by the revelations of the Public Land Law Review Commission.

In our opinion the Forest Service and BLM with their recent action have violated the confidence of well-meaning citizens. We respectfully urge you to do all in your power to see that this proposal is shelved until the Public Land Law Review Commission can determine the full value and disposition of the public lands.

Thank you for your kind consideration.

Yours truly,

RAMON N. GOICOA,
Secretary.

DUCKWATER, NEV., December 9, 1968.

Senator ALAN BIBIE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIRLE: The recent action taken by the Secretaries of Agriculture and Interior to increase grazing fees on public lands has been received with shock and disbelief. As you well know the livestock industry in the United States is in a serious situation, being caught in a cost-price squeeze with parity at an all time low. Any additional cost would substantially add to the burden now faced by the industry, the apparent inconsistency of the policies of both departments is brought forth by this drastic proposed raise in grazing fees. This action clearly shows that present Department of Interior policies are deviating from the intended policy of stabilizing the livestock industry as proposed under the Taylor Grazing Act of 1934 to their present policy of the extermination of the livestock industry in the United States. Neither department has acted in the best interest of the livestock industry in recent years, and if the grazing fee increase is an indicator for the future any hope we may now have will quickly be snuffed out.

We are writing in hopes that you will be able to counter this proposed action by seeing that use of the present fee formula, based upon the price of livestock not on a formula based entirely on forage value on private and leased lands, be continued; any upward revision of grazing fees be postponed until the Public Land Law Review Commission has completed its report; and interests of the American livestock industry be given fair consideration and not be at the mercy of Washington bureaucrats. Your efforts in aiding the Industry will be greatly appreciated.

Sincerely Yours,

EDNA JEAN FORSGREEN,
ALAN L. FORSGREEN,
Halstead Ranches.

[Telegram]

RENO, NEV., December 13, 1968.

Senator ALAN BIBIE,
U.S. Senate, Washington, D.C.:

Regarding increase of Bureau of Land Management rates in Nevada we believe that Nevada livestock producers cannot economically afford the proposed increases if the necessity of increases arises from the increased budget required by BLM staff. We urge that you introduce legislation cutting the size of the BLM staff. Please keep us advised of the status of the matter.

Cordially,

STUART B. WEBB,
Nevada National Bank of Commerce.

McDERMITT, NEV., December 12, 1968.

HON. ALAN BIBLE,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: We, the undersigned, public range users of southern Malheur County, hereby enter a protest in opposition to the proposed increase in grazing fees, because the Grazing Fee Analysis does not properly reflect a just basis in determining costs on Bureau of Land Management and private lands.

We further object to the formula being changed from being based on the price of livestock to being based on the rental of private grazing lands and request that a Congressional review and hearing be held on the proposed grazing fees on public lands.

We feel that there should be no increase in grazing fees until the studies made by the Public Land & Law Review Commission is complete.

All signatures on the following sheets are in agreement with the above protest. Respectfully submitted.

The following signatures are in agreement with the protest on the preceding sheet.

Roy R. Easterday, McDermitt, Nev.; John P. Nogue, McDermitt, Nev.; LaVern Easterday, McDermitt, Nev.; White Horse Ranch, Roy Blair, Andrews, Oreg.; John Stoddart, McDermitt, Nev.; David Etchart, McDermitt, Nev.; McCormick & Stephens, McDermitt, Nev.; Fred S. Welkinson, McDermitt, Nev.; Victor Albisn, McDermitt, Nev.; John Echave, McDermitt, Nev.; Dell Sherborn, McDermitt, Nev.; Evan A. Zimmerman, McDermitt, Nev.; Fred A. Eiguren, Jordan Valley, Oreg.; George E. Wilkinson, McDermitt, Nev.

ELKO, NEV., December 9, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: It came as a very big shock to me when I heard of the proposed increase on grazing fees on both the B.L.M. and the Forest Service land.

This proposed increase amounts to 400%. This increase will put many livestock people out of business as the Public Domain Forage and carrying capacity is not anywhere near this amount of money.

I strongly am opposed to this and do not believe it is right for the people in the livestock industry to continue to be asked to pay an increase in grazing fees.

We are well aware as to the original intent of the Taylor Grazing Act and we strongly urge the use of the original policy where the Grazing Act was figured on the price of the livestock.

Sincerely yours,

JOE W. HIGUY.

NATIONAL WOOL GROWERS ASSOCIATION,
Salt Lake City, Utah, December 23, 1968.

HON. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: We are enclosing copies of letters with regard to the proposed increase in grazing fees on BLM and National Forest lands.

We will greatly appreciate any assistance you can give us in our request that the fee proposal be held in abeyance pending the outcome of Congressional hearings.

Thanking you and with best regards, we are

Sincerely yours,

EDWIN E. MARSH,
Executive Secretary.

[Enclosure]

NATIONAL WOOL GROWERS ASSOCIATION,
Salt Lake City, Utah, December 23, 1968.

Hon. ORVILLE L. FREEMAN,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: This refers to the November 15 joint announcement of the Secretaries of Agriculture and the Interior concerning proposed changes in current methods of determining fees for livestock grazing on National Forests and BLM lands. The letter also refers to the November, 1968 review draft of fees and regulations for grazing on National Forest system lands.

This letter is being submitted in behalf of the members of the National Wool Growers Association, in accordance with the November 15 announcement stating that a 45-day period will be given for submitting comments to both Secretaries before final decision is made by the two Departments.

We strongly urge that the proposal for changes in the grazing fee regulations, as well as the proposal for grazing fee increases, be held in abeyance pending the outcome of congressional hearings on these matters. According to press reports, hearings on these proposals will be held before the Senate Interior Committee shortly after Congress convenes in January. Also, Senator Church has stated that as Chairman of the Senate Subcommittee on Public Lands, it is his intention to conduct an inquiry regarding these proposals early in the next session of Congress. We assume that similar hearings will also be held early in the session before the House Interior Committee, and, if necessary, before the Agriculture Committees of the Congress.

One of the purposes of the 1966 SRS study was to furnish a guideline as to whether present grazing fees on BLM and National Forest Lands are giving permittees an undue competitive advantage over livestock producers who do not graze on Federal lands. In order to justify this study as a basis for raising grazing fee rates, the Forest Service and BLM have not given recognition to all 15 non-fee cost items included in the study. To arrive at present calculations you have eliminated the capitalized value of the grazing permit as a cost of doing business and after so doing, claim that the study indicates an advantage to the grazing permittees justifying a raise in the present fee rate.

In these calculations, certain important factors seem clearly to have been overlooked. Among them is the factor of the comparative abilities of the National Forest and public lands grazers and those leasing private lands to pay for the use of the grazing resource values. Recent Federal government studies show that Forest Service and BLM grazers are realizing a net return on their investments of 2 to 2½ per cent and even less. If these grazers did have the ability to pay the increases proposed from their net annual earnings, it looks like this would mean that the net earnings of the National Forest and BLM lands grazers exceeded those of the grazers on private lands by at least that amount.

If this is actually so, then with a net return of 2 to 2½ per cent on the investments of those grazing on Federal lands, the return on the investment of those grazing on private leased lands would have to be so far on the minus side, investment wise, as to make it impossible for them to be carrying on their enterprises.

We feel certain that Congressional investigations will show that under present statutory provisions of the Federal government, the Forest Service and BLM user groups do have some advantages over those grazing on private lands, but the Federal land grazers also have many disadvantages from the standpoint of Federal laws which the private land lessees do not have and which serve to balance the situation.

If this were not true, then the question arises of why, from a competitive standpoint, the Forest Service and BLM user groups did not, long ago, put the private land lessees out of business.

One of Utah's foremost economists, Dr. Darwin Nielson, has estimated the permit value of Forest Service and BLM lands to be \$343 million. If the grazing permit values of these lands are decapitalized from unrealistic and exorbitant fee increases, they will seriously affect and in many instances render worthless private ranch properties dependent upon federal grazing a part of the year, as well as irrigation and stock water resource values. Dr. Nielson estimates the value of the base ranch properties at \$600 million to \$700 million.

To set the fee and fee regulations on the basis proposed will adversely affect many of the families throughout the western public lands states holding the

37,000 grazing permits on National Forest and BLM lands. It will also adversely affect the economy, agricultural and otherwise, of many communities that depend on sheep and cattle production for taxes to build roads, schools and other necessities. It will force many sheepmen and cattlemen to liquidate their holdings. The result would be that many areas of Federal land will lie idle and will provide the government with no grazing revenue.

For the reasons we have set forth in this statement, we urgently request holding this fee proposal in abeyance pending complete determination by Congress of its effect on the livestock industry and on the many communities whose economy is dependent on livestock production.

Respectfully submitted.

W. E. OVERTON, *President.*

NATIONAL WOOL GROWERS ASSOCIATION,
Salt Lake City, Utah, December 23, 1968.

BUREAU OF LAND MANAGEMENT,
Washington, D.C.

GENTLEMEN: This refers to Notice of Proposed Rule Making appearing on page 17108 of the Federal Register of November 16, 1968 under the heading, "Grazing Regulations for Public Lands."

This letter is being submitted in behalf of the members of the National Wool Growers Association, in accordance with the notice, providing for written comments, suggestions, or objections with respect to the proposed amendments.

We strongly urge that the proposal for changes in the grazing fee regulations, as well as the proposal for grazing fee increases, be held in abeyance pending the outcome of congressional hearings on these matters. According to press reports, hearings on these proposals will be held before the Senate Interior Committee shortly after Congress convenes in January. Also, Senator Church has stated that as Chairman of the Senate Subcommittee on Public Lands, it is his intention to conduct an inquiry regarding these proposals early in the next session of Congress. We assume that similar hearings will also be held early in the session before the House Interior Committee.

We feel strongly that action on proposed changes in grazing fee regulation and the proposal for a fee increase should be held in abeyance for the following reasons:

1. We maintain that these proposals violate the provisions of Section 3 of the Taylor Grazing Act providing for the establishment of "reasonable" fees. In hearings before the Senator Public Lands Committee in 1934 when the "reasonable" fee charge provision of the Taylor Grazing Act was being discussed, Secretary Ickes made it perfectly clear that it was not the intent of the Department of the Interior to make the Taylor Grazing Act a "revenue producer." He made it clear that the agricultural resources values concerned were intended to be left in the regions where they were situated, to build up their economies, rather than to be taken from these regions for direct Federal Treasury revenue purposes.

"Reasonable" fees are certainly not fees that are beyond the ability of the user to pay. A hike in fees to four times the existing level is obviously beyond the ability of the user to pay. This is especially true when many livestock producers are presently realizing no more than 2½ per cent, and in many cases even less, on their investments, according to the latest available Federal Government studies. In fact, some livestock producers are reportedly operating at a loss and are realizing no return at all on their investments.

2. One of the purposes of the 1966 SRS study was to furnish a guideline as to whether present grazing fees on BLM and National Forest lands are giving permittees an undue competitive advantage over livestock producers who do not graze off Federal lands. In order to justify this study as a basis for raising grazing fee rates by as much as four times the present fee levels, you have not given recognition to all 15 non-fee cost items included in the study. To arrive at present calculations you have eliminated the capitalized value of the grazing permit as a cost of doing business and after so doing, claim that the study indicates an advantage to the grazing permittees justifying a raise in the present fee rate of some 90 cents per animal unit month.

In these calculations, certain important factors seem clearly to have been overlooked. Among them is the factor of the comparative abilities of the Federal land grazers and those leasing private lands to pay for the use of the grazing resource values. As I have pointed out, recent Federal government studies show that BLM and Forest Service grazers are realizing a net return on their investments of 2 to

2½ per cent and even less. If these grazers did have the ability to pay the 90 cents per AUM increase proposed from their net annual earnings, it looks like this would mean that the net earnings of the Federal lands grazers exceeded those of the non-BLM and Forest grazing resource users by at least that amount.

If this is actually so, then with a net return of 2 to 2½ per cent on the investments of those grazing on Federal lands, the return on the investment of the lessees of private lands would have to be so far on the minus side, investment wise, as to make it impossible for them to be carrying on their enterprises.

We feel certain that Congressional investigations will show that under present statutory provisions of the Federal government, the BLM and Forest Service user groups do have some advantage over those grazing on private lands, but the Federal land grazers also have many disadvantages from the standpoint of Federal laws which the private land lessors do not have and which serve to balance the situation.

If this were not true, and if, as you apparently contend in your proposal, the BLM and Forest Service user groups have purchased their forage, on the average, at 90 cents per AUM under the price paid by private land lessees, then the question arises of why, from a competitive standpoint, the BLM and Forest Service user groups did not, long ago, put the private land lessees out of business.

CONCLUSION

One of Utah's foremost economists, Dr. Darwin Nielson, has estimated the permit value of BLM and Forest Service lands to be \$343 million. If the grazing permit values of these lands are decapitalized from unrealistic and exorbitant fee increases, they will seriously effect and in many instances render worthless private ranch properties dependent upon Federal grazing a part of the year, as well as irrigation and stock water resource values, especially those in desert areas where grazing is the only use possible. Dr. Nielson estimates the value of the base ranch property at \$600 million to \$700 million.

To set the fee and fee regulations on the basis proposed in the November 16 Federal Register will adversely affect many of the families throughout the western public lands states that hold 47,000 grazing permits on BLM and National Forest lands. It will also adversely affect the economy, agricultural and otherwise, of many communities that depend on sheep and cattle production for taxes to build roads, schools and other necessities. It will force many sheepmen and cattlemen to liquidate their holdings. The result would be that many areas of Federal land will lie idle and will provide the government with no revenue. This would be inconsistent with the preamble of the Taylor Grazing Act "to provide for . . . improvement and development" of the public grazing lands and "to stabilize the livestock industry dependent upon the public range."

For the reasons we have set forth in this statement, we urgently request holding this fee proposal in abeyance pending complete determination by Congress of its legality as well as its effect on the livestock industry and on the many communities whose economy is dependent on livestock production.

Respectfully submitted.

W. E. OVERTON, *President.*

CHERRY CREEK, NEV., December 10, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: It came as a very big shock to me when I heard of the proposed increase on grazing fees on both the B.L.M. and the Forest Service land.

This proposed increase amounts to 400%. This increase will put many livestock people out of business as the Public Domain Forage and carrying capacity is not anywhere near this amount of money.

I strongly am opposed to this and do not believe it is right for the people in the livestock industry to continue to be asked to pay an increase in grazing fees.

We are well aware as to the original intent of the Taylor Grazing Act and we strongly urge the use of the original policy where the Grazing Act was figured on the price of the livestock.

Sincerely yours,

GORDON V. FOPPIANO.
IRENE T. FOPPIANO.

McDERMITT, NEV., December 17, 1968.

HON. SENATOR ALAN BIBLE,
U.S. Senator from Nevada,
Washington, D.C.

DEAR SENATOR: I, the undersigned, public range user of southern Mallheur County, hereby enter a protest in opposition to the proposed increase in grazing fees, because the Grazing Fee Analysis does not properly reflect a just basis in determining costs on Bureau of Land Management and private lands.

I further object to the formula being changed from being based on the price of livestock to being based on the rental of private grazing lands and request that a Congressional review and hearing be held on the proposed grazing fees on public lands.

I feel that there should be no increase in grazing fees until the studies made by the Public Land and Law Review Commission is complete.

Respectfully Submitted.

GARY R. MINOR.

BLUE EAGLE RANCH,
Tonopah, Nev., December 26, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BIBLE: I received quite a jolt on November 15th when I heard of the proposed grazing fee increase. I am in the process of buying a range cow operation. Judging by past records I figured the ranch would pay for itself and provide a living for my family and myself. If this becomes law, everything that we have put into this outfit will be lost.

We graze our cattle on very poor range at its best. There is no way the Department of Agriculture Statistical Reporting Service could compare the cost or return of operating on this type range to that privately owned. As if this isn't enough, they propose to change the grazing fee formula leaving the door open for as many increases as it takes to bring grazing on public lands to an end.

I certainly appreciate the fine work you have done in the past. Once again we need your help now. I hope you will lodge an official protest with the Secretary of Agriculture and the Secretary of Interior in our behalf.

Thank you very much.

Sincerely,

CARL J. HANKS.

McDERMITT, NEV., December 20, 1968.

HON. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I would like to protest to the ridiculous raise in grazing fees proposed by Udall and Freeman. These highly paid supposedly educated, government men, cannot be in their right minds, when they want to further cripple such an important industry as the western cattle business.

Government has already grossly impaired the efficiency of the industry through unfair imports of beef and grazing cuts.

It only stands to reason that if grazing fees are raised, it will have to be passed on to the consumer. If not passed onto the consumer, ranchers will be forced to move into already overcrowded cities to seek their livelihood. Then in creeps inflation.

We as ranchers, are already in a badly crippled state. When we cannot realize enough profit from our business to be able to pay our hired help a fair and decent wage. The average wage is from \$200.00 to \$300.00 per month with twelve hrs. per days seven days a week and, "no fringe benefits." Our returns on our investments is figured 2%.

If ranchers were permitted to run livestock at a fair profit, every rancher could use (and needs) more help than they are using at the present time under these government handicaps and crippling prices.

Women and children under 18, are the main source of employment. Welfare unemployment checks, etc. have a great hand in this also.

I also believe that Udall and Freeman have been totally unfair with the Cowman, and have now decided to "push" this raise through on a do or die basis

before the Public Land and Law Review Commission has their chance to make a complete survey.

Believe me if a fair survey were to be made, many eyes would be opened in the process.

The amount of money "wasted" by the B.L.M. is more than enough to compensate for the proposed raise in grazing fees.

Sincerely yours,

GEORGE E. WILKINSON.

TONOPAH, NEV., December 20, 1968.

Senator ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR MR. BIBLE: Please protest the preposterous 400% increase in grazing fees on public lands. The ranchers are now operating in a cost price squeeze which is causing all operators to go heavily in debt or out of business. If this or any increase in grazing fees is granted the cattle industry of Nevada will be completely destroyed. Cattle prices are now the same as they were twenty years ago, and the only fair way to base fees is as it is done now on the price of cattle. If the cattle industry is destroyed by high grazing fees so will many towns and businesses who are dependent upon agriculture be destroyed too.

In 1934 the Taylor Grazing Act was passed by Congress to stabilize the livestock industry. If excessive fee increases are permitted, the act will destroy the livestock industry.

Respectfully yours,

NORMAN SHARP.

STAR SHEEP Co.,
Imlay, Nev., December 23, 1968.

Hon. Senator ALAN BIBLE,
Washington, D.C.

HONORABLE SENATOR BIBLE: I would like to ask you to do everything you possibly can to stop any increase in grazing fees. As a small operator it will hurt us all. There are very few sheep left in Nevada as you know, so let's try and keep them. Also this fee increase will hurt all cattlemen, who are pressed with high costs and shortages of good labor, as we sheepmen are.

Thank you.

Yours truly,

ROBERT BELZAUNA.

BATTLE MOUNTAIN, NEV., December 26, 1968.

Re Proposed Grazing Fee Adjustments.

Mr. STEWART L. UDALL,
Secretary of the Interior,
U.S. Department of the Interior, Interior Building,
Washington, D.C.

DEAR MR. SECRETARY: Pursuant to the announced proposal by the Department of the Interior and the Department of Agriculture to adjust grazing fees, I respectfully request that any fee adjustment be deferred until such time that all the pertinent cost factors developed in the 1966 *Western Livestock Grazing Fee Survey* have been reviewed by the appropriate committees of the Congress and until after individuals in the range livestock industry have been accorded the opportunity to respond to the Congress.

Very truly yours,

JOHN MARVEL.

EUREKA, NEV., January 14, 1969.

Hon. Senator ALAN BIBLE,
Washington, D.C.

DEAR SIR: "Better late than never," but Congratulations on your re-election.

I'm sure you have been receiving a lot of mail concerning recent developments on many issues, and I would like to put in my 2¢ worth, hoping you can be instrumental in solving them, at least in part.

I am enclosing a form letter received concerning the Grazing fee increase, which we ignored, because it would be a lost cause, from our view point.

Mr. Nixon has recently appointed his choice for Dept. of the Interior, and his record as Gov. of Alaska leaves something to be desired, and he couldn't care less about the cattle or mining industry. A move to block this appointment is necessary.

The suggested double raise in salary for Mr. Nixon is disgusting, the present salary is more than sufficient. The Republican party, Nixon and Laxalt campaigned to save the Taxpayers' money, reduce taxes. Yesterday Gov. Laxalt asked for a raise in taxes. Immediately after taking office he tried to raise the salaries of his appointed friends. He slapped a supposed School tax on us (taxation without representation). I wonder how much more underhanded tactics will be forced on us.

I know you are aware of all current events, and you have been always alert to the possible consequences. With the expected pressure from the Republican Party, we are depending on you.

Respectfully,

Mr. and Mrs. EDWARD A. MELKA.

WESTERN INDUSTRY ORGANIZATION,
Ely, Nev.

Re Grazing Fee Increase.

PUBLIC RANGE USER.

It is time to act. It is time to move. It is time all Public Land Industry Groups unite to save the Western Public Land Industry.

This is now being accomplished. Western Industry Organization is being initiated by livestock men from the grass roots in all of the Western States. Soon Western Industry Organization will represent, not only the public lands livestock industry, but mining, oil, timber and private recreation on public lands.

The purpose of the Western Industry Organization is to preserve and protect industry on public lands in Western United States.

This will be the first time in the history of the West that all industry groups in the public land states have united under a common banner. Western Industry Organization will do all things necessary to bring about constructive measures which will develop a favorable economic climate for all Western Public Land Industry.

Right now the Western Public Land Industries are fighting for survival. Regulations have been published in the Federal Register of November 16, 1968, and, if not rescinded, will burden livestock men with a minimum 400% increase in grazing fees. The new rule can result in a grazing fee much higher than 400%. The fee could reach a figure of \$2.00 to \$3.00 per A.U.M. The Secretary of Interior under the new rule has the authority to further arbitrarily adjust the fee as he sees fit.

The grazing fee must be rolled back to the fee formerly established in 1955. At this time, the fee was set at a rate based on the average per pound market price for cattle and sheep in the preceeding years. This fee formula was fair and equitable to all concerned. This fee did not allow grazing cost on public lands to outrun the livestock men's profits.

Livestock prices now are comparable to prices received 20 years ago. As a result the livestock industry is suffering one of the worst profit droughts in history.

We are first going to concentrate on the immediate grazing fee issue, with all the help we can muster. Second, we plan to obtain legislation in congress, which will provide security of tenure and intelligent range management.

We must consolidate our forces in all Western States, quickly and effectively. Experienced livestock men and others are now organizing throughout the eleven Western States. Western Industry Organization is negotiating with two of the best law firms in the United States to represent the livestock men who operate on public lands, with respect to the grazing fee issue and other matters. Also, contacts will be made, immediately, with nationally recognized economists. The economists will be employed to aid in developing a factual case for the livestock industry. A top public relations staff is also being recruited.

To do the job it will require a large amount of money. It has been determined that it will be necessary to assess each livestock operator a minimum of 5¢ per A.U.M., for all A.U.M.'s adjudicated on all B.L.M. and forest lands.

May we solicit your cooperation and money as soon as possible. Send your check, etc., to Western Industry Organization, P.O. Box 790, Ely, Nevada 89301.

If you have any questions regarding the above, please write to Western Industry Organization at the above address.

Very truly yours,

NEVADA COMMITTEE FOR WESTERN INDUSTRY ORGANIZATION,

ALFRED UHALDE, *Chairman.*

BERT PARIS, Jr., *Member.*

JESSE GARDNER, *Member.*

FEBRUARY 20, 1963.

Hon. Senator ALAN BIBLE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BIBLE: I am writing you this letter to express my views on the proposed grazing fee increase that will be heard by the Senate Public Lands Subcommittee hearings February 27th and 28th.

I don't understand how the Secretary of the Department of Interior and the Secretary of the Department of Agriculture can justify an increase in the grazing fees.

We went through this grazing fee raise and range allotment cuts in the hearing of 1963 before the Senate Subcommittee on Public Lands, co-chaired by you. I prepared a two page statement that starts at the bottom of page 145 in the booklet that recorded the testimony given at the hearings. The booklet is titled as follows:

"Hearings before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, United States Senate, Eighty-Eighth Congress, First Session on Review of the Taylor Grazing Act, January 16, 17, and 18, 1963.

I would like to resubmit this statement I gave in 1963 at the hearings scheduled for February 27th and 28th.

On reviewing the testimonies in the 1963 booklet there are some complaints about range allotment cuts, but by far the most complaints are about the increase in grazing fees which were about 19¢ an a.u.m. at that time. Now, they are 33¢ an a.u.m. which is almost double what they were six years ago. I certainly think all the testimony in the 1963 booklet should be reviewed by the hearing on February 27th & 28th.

The ranching business is in a much worse cost-price squeeze now than it was in 1963. In fact, my ranch has lost money for the last five years. I have been forced to work outside the ranch in order to pay my living expense and help pay the cost of interest for operating money.

Before the government extracts the last dime from the rancher by raising the grazing fee, I think it is high time the government quits spending the taxpayers money for loans like the \$14.8 million made to the Ultrafertil Company for construction of a fertilizer plant in Brazil. The terms of the loan call for interest payments of 1% during the first five years, 5½% thereafter. Inasmuch as the federal government must pay at least 5½% interest for money it borrows, it must get that much interest on that money it loans or it loses the difference. This means that the taxpayer is paying 4½%—or about 2.5 million—for the first five years of this loan to subsidize Ultrafertil.

The majority of the stock of Ultrafertil is owned by the Phillips Petroleum Company, one of the largest oil companies in the world and certainly should be capable of paying its own way without government support.

I am paying 8¼% interest for my operating money.

If the government doesn't take action immediately to stabilize the grazing fee at its present rate of 33¢ an a.u.m. and lower interest rates the family size ranchers will all be out of business in a year or two unless they have a large income from some other source.

Yours truly,

ROBERT M. HAY,
Winnemucca, Nev.

STATEMENT OF ROBERT HAY IN THE HEARING OF 1963 BEFORE THE SENATE
SUBCOMMITTEE ON PUBLIC LANDS

On making a statement in regard to fee increases and other related matters that the Bureau of Land Management proposes, I would like to state that I have

actively participated in the livestock business for 22 years. I was associated with my parents for 12 years, as manager, and I have operated my own ranch for 10 years. When as manager, the ranches consisted of deeded land, raising grass hay, and grazing cattle on Federal land under the Taylor Grazing Act.

At present my ranch consists of about 800 deeded acres on the Humboldt River, which enables me to cut 300 tons of grass hay furnish pasture. As the commensurability of my ranch is much higher than the number of animal-unit months granted to me under the Taylor Grazing Act, I have bought an additional 7,000 acres of unfenced rangeland checkerboarding the same area with the Federal land that my grazing privileges are on under the Taylor Grazing Act. This land was acquired in order to maintain the number of cattle required for my ranching operation to have an economical operation. I have spent more than \$1,500 for fencing and other range improvements under cooperative projects. The range livestock industry and the Federal Government are engaged in a joint venture for the purpose of creating an additional national product under the Taylor Grazing Act.

The general public benefits from the joint venture in many ways, the most obvious of which are improved hunting and fishing; and I feel the rancher should not have to pay a fee that is so high that it makes his operation economically unsound. I feel very strongly that the only fair and just way to set the grazing fee is the method used now where the fee is on a formula tied in with the selling price of livestock. I think the Economic Research Service study on interest returned on ranch investments makes it clear that a rancher cannot pay a grazing fee on any other basis than the present one in use. In our area the Bureau of Land Management administrators have just completed an adjudication of our grazing unit under the Taylor Grazing Act and have imposed a 49.7 percent reduction in animal-unit months on my qualifications, not only on the Federal land grazed, but also on my unfenced deeded grazing land.

I have ridden horseback over a good deal of the range country in Humboldt County for the last 22 years, and I cannot see where basically the amount of feed available has changed over this period of time other than on short moisture years when the feed is in shorter supply. This is a drastic action and one that approaches dictatorial powers in the administration of the Taylor Grazing Act under the Bureau of Land Management. This kind of action will put the large range ranch operator on an economically unsound basis and put the family-size range ranch operator out of business. I believe these drastic cuts on cattle numbers that run on Taylor grazing privileges and fee increases are steps leading in the opposite direction of the original intent of the Taylor Grazing Act. I would like to quote former Secretary of the Interior Ickes' description of the act's respect for establishment ranching operations:

"Gentlemen of the committee, all that the Department of the Interior wants to do is to maintain and upbuild the ranges for the benefit of the local interests. Now in doing that we have no intention to run amuck in any State or in any area and drive stockmen off their ranges or deprive them of rights to which they are entitled either under the State laws or by customary usage. If we were not interested in the maintenance of the range, we would not be here for this bill; that is, the maintenance of the range in the interest of the State and of stockmen. But, if we do not give the Federal Government the right to control and to protect the range, it will only be a few years before your stockmen will be down here demanding that we have some such law as this, because in the end they are going to be the worst sufferers" (Taylor grazing bill hearings, pp 10-11).

The original intent of the Taylor Grazing Act was to stabilize the range livestock industry. Again, I would like to state that the economy of small communities, counties, and the State of Nevada as a whole will be adversely affected by cuts in the number of cattle grazed and increased grazing fees which cause cattlemen to go out of business.

It is my sincere hope that this committee will make recommendations to remedy the situations that now exist. I would like to suggest the following proposals for improvement of public land problems: (1) Classify the Federal lands that are suitable for grazing purposes as grazing land. (2) Have grazing boards in each district that have more authority in deciding the uses made of the grazing land instead of serving in strictly an advisory capacity. (3) Make a thorough study of the Taylor Grazing Act and recommend it be administered in direct compliance with its original intent to stabilize the range cattle industry. (4) Recommend that the Bureau of Land Management be administered with more economy and not grow to be a costly and bureaucratic department. (5)

Recommend that the Bureau of Land Management recognize the rights of ranch operators on privately owned unfenced rangelands and that more consideration be given them on these lands.

I would also like to add this—it has been suggested here before that they put a moratorium on these range fee increases and range cuts until such time as it can be studied and corrected.

STEPTOE MILL AND SMELTERMEN'S UNION No. 233,
UNITED STEELWORKERS OF AMERICA,
McGill, Nev., February 22, 1969.

Senator FRANK CHURCH,
Chairman of Public Land Subcommittee,
Senate Interior Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: Local 233 United Steel Workers of America and Local 124 Ruth, would like to take this opportunity to ask you to strongly oppose any increase in grazing fees at this time.

We urge you to use your good offices to see that no increase is put into effect until after the Public Land Law Review Commission has completed its study and made a complete report.

Any increase in grazing fees at this time would not only put a burden on the Ranchers here in Nevada but eventually have to be added to the cost of living and eventually force many ranchers out of business.

Your serious consideration to this matter will be appreciated.

Sincerely Yours,

THOMAS E. JONES,
President, Local 233.

GONDERS RANCH,
Baker, Nev., February 20, 1969.

Senator FRANK CHURCH,
Chairman of Public Land Subcommittee,
Senate Interior Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: Gonders Ranch of Garrison, Utah offers the following statement in opposition to the increase in grazing fees made by the Dept. of Interior and Dept. of Ag. and to the deviation from the previous formula.

We recommend the continued use of the previous fee formula, based on current prices of livestock. A fee formula based on livestock prices is a far more reliable and stable basis upon which to determine fee rates than one based on forage value on leased and private lands.

Such charges for use of forage do damage to Congressional effort to establish multi-purpose uses of federal land to the benefit of all citizens. There has been much talk of revitalizing rural America and creating economic parity for agriculture. With livestock producers caught in an unprecedented cost-price squeeze, these proposals (for the rate increase) will obviously hurt the income situation for agriculture very much.

According to recent studies made by the Department of Agriculture Statistical Reporting Service, ranchers are receiving a return of only 2% of their investments. This does not include capitalization of the grazing permits or the improvement there on.

According to tests and studies made in our breeding herd of cattle in 1968, it was found 95% of the cows grazed on private land were pregnant, while only 54% using Forest Service land, and approximately only 50% using B.L.M. land were with calf. We find this information basically coincides with conditions in Nevada, especially the southern portion, where the calf crops are at least 40% larger from cattle on private lands. Calf and steer weights are also greater on private lands.

From these studies we maintain the livestock industry can not afford to pay an additional grazing fee, because the returns from cattle grazing on Federal land are much lower than from those grazing on private land.

Very truly yours,

OWEN L. GONDER,
WAYNE D. GONDER.

BAKER, NEV., February 20, 1969.

Senator FRANK CHURCH,
Chairman of Public Land Subcommittee, Senate Interior Committee, New Senate
Office Building, Washington, D.C.

DEAR SENATOR CHURCH: White Pine County, Nevada, Farm Bureau strongly opposes the recent actions of the Secretary of Interior and the Secretary of Agriculture in raising in increment steps, grazing fees upon public lands.

Evidence indicates there is no justification for escalating grazing fees at this time. We contend all federal agencies administering public lands should withhold any changes in basic policy fees and regulations for use until the Public Land Law Review Commission has completed its study and made its report.

The livestock industry at the present time is caught in a cost-price squeeze with parity at or near an all time low. Any further costs would threaten the very existence of the western livestock industry and the communities dependent upon it.

According to recent studies made by the Department of Agriculture Statistical Reporting Service, ranchers are receiving a return of only 2% on their investments. This does not include capitalization of the grazing permits or the improvements thereon.

Failure of the federal agencies to take into account the grazing permit as a capital asset or investment in determining costs of grazing upon private lands versus public lands, is a mistake. Such permits have been paid for in most cases with hard cash or money borrowed at high interest rates and are part of the value placed upon ranching property.

This study compares the cost between operating on public land and private land, but does not consider the greater economic return from operating on private land as opposed to federal land. The calf crop in Nevada, especially the southern portion, is at least 40% larger from cattle herds grazing on private lands. Calves are heavier and steer weights greater on private land.

We recommend the continued use of the previous fee formula, based on current prices of livestock. A fee formula based on livestock prices is a far more reliable and stable basis upon which to determine fee rates than one based on forage value on leased and private lands.

Very truly yours,

WAYNE D. GONDER.

BOARD OF COUNTY COMMISSIONERS,
Ely, Nev., February 21, 1969.

EXTENSION SERVICE,
White Pine County, Ely, Nev.

To Whom It May Concern:

The Board of County Commissioners of White Pine County unanimously oppose a rate increase of grazing fees.

Very truly yours,

GEORGE PAVLAKIS, Deputy County Clerk,
(For the Board of County Commissioners).

WHITE PINE CHAMBER OF COMMERCE AND MINES,
Ely, Nev., February 21, 1969.

HON. ALAN BIBLE,
Senator from Nevada,
Senate Office Building,
Washington, D.C.

DEAR ALAN: At a recent meeting of the White Pine Chamber of Commerce and Mines Board of Directors, the Board went on record opposing the grazing fee increase as proposed by the U.S. Forest Service and the Bureau of Land Management.

The Board of Directors opposed the grazing fee increase on the basis that the livestock and agriculture industry in White Pine County is most important to its economy, and, the people of this industry in our area have advised the increase could jeopardize their interests if such an increase is imposed.

You are urgently requested to oppose the grazing fees increase, for which this Chamber of Commerce would be most grateful.

Thank you very much.

Sincerely,

N. E. BROADBENT,
President.

[Telegram]

FALLON, NEV., February 28, 1969.

HON. SENATOR ALAN BIBLE,
U.S. Senate, Washington, D.C.:

If increase in grazing fees is allowed to remain in effect it will eventually put an end to our cattle operation on Bureau of Land Management lands. The overhead of maintaining the present water and range improvements is exceptionally high and increasing each year.

IRA H. KENT.

PORTER ESTATE CO.,
San Francisco, March 4, 1969.

HON. ALAN BIBLE,
Senate Office Building,
Washington, D.C.

DEAR ALAN: As a land owner and Bureau of Land Management permittee in Humboldt County, Nevada, I am much concerned with Secretary Hickel's decision to increase the B.L.M. fees.

This action, I am sure, will mean a substantial loss in ranch equity and in turn affect the economy in all areas where B.L.M. lands are used for livestock grazing.

As you recognize, many benefits now accrue to the public which are now carried by the rancher such as access to private and public lands, water and forage for wild life, building and maintaining roads, developing and maintaining water for people and animals, to mention a few.

I congratulate you for the stand you have already taken in this matter and take this opportunity to let you know that the ranchers, by a great majority, support you.

Kindest personal regards.

Sincerely,

PORTER SESNON.

RO, INC., BIG SMOKY VALLEY,
Round Mountain, Nev., March 5, 1969.

Senator ALAN BIBLE,
Washington, D.C.

DEAR SENATOR BIBLE: As you know the fees for grazing on government land are about to be raised. My neighbors and I feel that you should know our thinking about this. In addition to the fees, it costs us considerable to use the range in Central Nevada. The semi-desert areas used as range are quite different from the grassed well watered areas elsewhere.

We run cattle in Esmeralda and Nye counties. At our personal expense, nine wells have been dug. These vary from 70 to 300 feet deep. Without our provision and maintenance of these watering places, the range would be useless much of the year.

In addition to the capital outlay for the wells, windmills, drinking troughs etc., there is the constant expense of sending a man to the watering places daily, to see that the pumps work and that the water is actually available for the cattle.

In order to use this vast range where 20 to 40 acres are needed to support a cow, it is necessary to build corrals and line camps. Upon first consideration 33¢ per month per animal seems reasonable but when one actually operates here, one finds costs that make the picture quite different. The grazing is scattered and is made available at the ranchers expense.

The enclosed information may be helpful to you in showing that the actual cost is much higher than is indicated by the fee. It would be quite different if we were buying fenced pasture with water furnished.

Sincerely yours,

THOMAS H. DENMAN.

INFORMATION SHEET

The following information may be helpful to you in showing that it actually costs much more than the fees to pasture cattle under semi-arid conditions.

| | |
|---|----------------|
| 9 wells dug at \$2,000 per well----- | \$18, 000 |
| Pumps and engines----- | 22, 500 |
| Windmills----- | 4, 600 |
| Gas engine, \$200 per well----- | 1, 800 |
| Storage tanks and watering troughs----- | 8, 100 |
| Corrals and line camps----- | 10, 000 |
| Total----- | 65, 000 |

Here is how I calculate the cost per animal.

| | |
|--|--------------------|
| Interest on \$65,000 per year----- | \$4, 550. 00 |
| Wages for well tender, 6 months----- | 2, 100. 00 |
| Mileage on pickup round trip daily----- | 1, 560. 00 |
| Gas for motors on pumps----- | 1, 884. 60 |
| Replacements for each year----- | 2, 000. 00 |
| Annual expense in addition to Range Feed----- | 12, 094. 60 |

SHARPS PARTNERSHIP, CROSS L RANCH-NYALA,
Tonopah, Nev., March 8, 1969.

HON. ALAN BIBLE,
U.S. Senator,
Office of the Senate,
Washington, D.C.

DEAR MR. BIBLE: Thank you for answering my last letter about the Grazing Fee increase. We sure hope you can do something about it, because it surely spells our doom, when all we have tried to do was earn an honest living.

We have been paying about \$3000.00 Property Tax plus \$4051.74 BLM grazing fees, plus Forest fees, which is a vast expense for value received on this poor old Desert. If they tax us off and ruin us it will contain nothing but Lizards and Rattlesnakes. While with our vast outlay of improvements, repair and maintenance of water it can be used in connection with our Ranch holdings. It is good for awhile if it rains.

But with this \$1400.00 increase just on BLM out of the blue with no value received whatever for it what can we do? We just made a check for \$5419.92 BLM grazing fees. Will the Production Credit loan us running expenses with such an increase in expense with no value received? It means we will have to sell 15 breeding cows this year to pay this tax so unjust, and next year if it is forced on us will be twice as much, so will have sell 30 more breeding cows. So it goes.

Secretary Ickes told us he would see that he ruined the cattlemen. How terrible that such a thing can be done as he said.

If we do not repair and maintain wells, reservoirs, ditches, and pipelines, the wildlife will have no water to drink either.

The Bureau cannot improve matters where there is no rain, for we have tried test fields to no avail.

Mr. Bible, this is just another unjust *tax gimmick* ordered by the Director of the Budget.

Please do something for us.

Sincerely yours,

Mrs. MINNIE SHARP.

Senator ALLOTT. Mr. Chairman, I would like to ask consent to have printed in the record a statement by Nick Theos, vice president of the

Colorado Wool Growers Association, at an appropriate place. He is in town but he had to go over to another hearing and he asked me to handle this.

Senator CHURCH. That will be done. It will be inserted, without objection, at this point in the record.

(The statement referred to follows:)

STATEMENT OF NICK THEOS, VICE PRESIDENT, COLORADO WOOL GROWERS ASSOCIATION

Mr. Chairman and Gentlemen of the Committee: My name is Nick Theos. I am a resident of Meeker, Rio Blanco County, Colorado.

I have spent my entire lifetime in Western Colorado and Eastern Utah, first assisting my father in the operation of his sheep raising business and since 1953, operating my own outfit. The production of wool and lamb on the open range in and upon what is known as the "Western Slope" of Colorado is the only business I have ever been engaged in and the only one I know. My wife, children, and I are wholly dependent on the successful operation of this business for our livelihood.

I am presently Vice President of the Colorado Wool Growers, an organization with 1,000 members; I have been a member of the Bureau of Land Management Advisory Board for Colorado Grazing District No. 1 for 15 years, the Colorado State Advisory Board for 8 years; I have been a member of the Bureau of Land Management Advisory Board for Utah Grazing District No. 8 for 6 years; and I presently have the honor of being elected by fellow wool growers to serve on both the Colorado and Utah Boards.

I am, and have been for the past six years, a member of the White River National Forest Advisory Board. My father and I have held permits to graze on Federal lands since they were first issued following the enactment of the Taylor Grazing Act. I am well acquainted, from a practical viewpoint, with the operation of a sheep outfit on both the Bureau of Land Management lands and on National Forests.

I am proud of my heritage as a wool grower which came to me from my father, Angelo Theos, whom many of his friends have labeled as a "Great American." Early in his life he left his home country of Greece and came to the Vernal, Utah-Meeker, Colorado area and built up what is recognized as one of the best sheep outfits in the West. He, with my mother, also from Greece, reared a family of six children all of whom were born in the above described area. All our lives we were thoroughly instructed, taught, and learned, the fundamentals of Americanism and what great privileges and blessings we were entitled to if we became good citizens. These teachings of my father have become a part of my life. This heritage also applied to our business.

At the time of his death my father provided me, and four other members of his family, with a good sheep outfit. We have been able to successfully operate them until now. All of these outfits are based on ranch and range properties we have had to purchase and are wholly dependent upon the use of grazing lands administered by the Bureau of Land Management and the Forest Service. Without the Forest Service and Bureau of Land Management grazing permits we own, we would not be able to operate and would have to go elsewhere in which to earn a livelihood for ourselves and families. I mention these things in order that the members of this Committee may understand how vital the subject matter now before your Committee is in the lives and well-being of the people engaged in the livestock business who are using Federal lands whether it be in the raising of sheep or cattle. It is all we have and if the use of public lands is priced so high we have to cease doing business, it will spell disaster and failure in the lives of many of us who know no other business.

The businesses established by my father, later turned to myself and my brothers, was built up on the understanding that the United States permitted and encouraged the use of public lands by livestock operators for many years without charge and after the Taylor Grazing Act, with charge, for the purpose of establishing communities and the industrial development of the West. We accepted this offer and have complied with our part of the agreement. The Taylor Act, as you know, provides that "Grazing districts will be administered to conserve and regulate the public grazing lands, to stabilize the livestock industry dependent upon them, and in aid thereof to promote the proper use of the privately controlled lands and waters dependent upon those public grazing lands."

This act, I have always understood, means that the public lands will be administered in a manner that will stabilize the livestock industry and the value of private lands in the Western area. So far, this has been done. However, now we are confronted with what appears to me to be a change in the policy of the United States dictated by the Executive Branch of Government rather than by the Congress, which has always been the branch of Government which determines policy so far as the use and disposition of public lands are concerned.

I am here today representing thousands of wool growers in Utah and Colorado, the States I now run my sheep in, to protest, as our outstanding Congressmen, Representative Aspinall and Senator Allott, have so well stated, "is a most unreasonable action," on the part of the Secretaries of Interior and Agriculture, in increasing the grazing fees charged by the Bureau of Land Management and Forest Service.

I need not inform you that the livestock industry today is in a precarious financial position. The price we sell our livestock for has not increased at all, while our expenses continually get higher. Had it not been for the inflated price of our lands, which has permitted us to borrow money to operate on, most of us would have been out of business before now. Under the circumstances we cannot stand a further increase in any of our expenses and particularly grazing fees. It is not the amount of the per head or per AUM increase that hurts us but the percentage. The proposed increase from 33¢ to 44¢ per AUM already levied by the Bureau of Land Management amounts to 33½% increase in one year. If carried to the ultimate the present proposal will amount to approximately 400% in ten years. This is simply prohibitive and destructive.

This matter has been carefully considered for many years by livestock operators and when the Public Land Law Review Commission was created by Congress, to make a complete overall study of the laws and the use of Federal lands, we felt a sound approach was being taken. The Executive Branch of the Government was given representation on this Commission and we were led to believe that the Department of Agriculture and Department of Interior would await the final report of this Commission before taking any action, let alone the drastic recommendation the respective Secretaries made, in what appears to be a last minute act taken to deliberately financially embarrass livestock operators.

It has already been reported to you that the National Wool Grower's Association, the Colorado Wool Grower's Association, whom I represent here today, and the Utah Wool Grower's Association, all of which organizations I belong to, have unanimously opposed any increase in grazing fees, until the overall situation has been studied. And until such time as the now sick livestock industry has recovered sufficiently from its economic depression to be able to pay an increase.

Gentlemen, this matter must be settled on some fair basis. The livestock industry of the West is too important to be permitted to disintegrate. The production of food and fiber for the increasing population must be of national concern. The complications that would follow an unreasonable advance in any of the present expenses of operation, particularly an increase in grazing fees on public lands, which might force the deterioration of the livestock business would be unending. I, like many other permittees have expended great sums of money for range improvements, fences, water holes, reseeding, brush clearing, and other soil and range conservation practices on public domain. If we are forced out of business how can we recover the money we have expended relying on the Government's representations to us that these improvements would always be ours? It would be impossible to sell them, for prospective buyers would also be faced with the same economic factor and would downgrade the value of the permits and range improvements which would cost us large sums of money.

Today, on behalf of the organizations above mentioned, I respectfully urge that the Congress of the United States take such action as is necessary to prohibit any increase in grazing fees by the Executive Departments concerned until:

1. The final and complete report is received from the Public Land Law Review Commission.
2. The future policy of the United States with reference to the use of public lands is determined. (We urge that it be what is expressed in the Taylor Grazing Act.)
3. The livestock industry has recovered from its present economic depression to a point where an increase in grazing fees will not force livestock operators out of business.

Senator CHURCH. Senator Anderson, do you have a statement?

Senator ANDERSON. I merely want to submit a statement and some letters from my home State.

Senator CHURCH. They will be included.

STATEMENT OF HON. CLINTON P. ANDERSON, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator ANDERSON. Mr. Chairman, I have had many letters from both large and small livestock operators in New Mexico objecting to the increase in grazing fees proposed by the Bureau of Land Management and the U.S. Forest Service.

I know that a great deal of time has been spent by the departments in studying this problem. I am also aware that the departments are under directions from the Bureau of the Budget to adjust the fees so that they will represent a fair market value of the forage on public land.

I am not in a position to personally judge whether or not the fees proposed are correct; therefore, I believe it is appropriate that this committee review the subject and get additional views and comments from both sides of the issue.

There is one area of particular concern to me. That is whether or not the small livestock operators who have permits on the forest land and on public domain are likely to be forced to forfeit their permits because of excessive charges. Many small operators in northern New Mexico have written me expressing the fear that this may happen, and that if it does the larger operators would fall heir to the permits. The Forest Service assures me that this would not happen but I hope that the record will be made very clear on this point by both agencies.

Mr. Chairman, I submit for the record the following documents and letters I have received from individuals and organizations in New Mexico which represent the views of both large and small operators on the public land:

A letter signed by Mr. Jess Brennand, chairman of the San Francisco Soil Conservation District, Catron County, N. Mex.;

A letter from Mr. A. D. Brownfield of Deming, N. Mex., a well-known and highly respected rancher and public land expert;

A letter from Mr. Harry F. Lee, San Mateo, N. Mex., chairman of the Public Lands Council;

A letter from Mr. S. P. Johnson III, president of the South-eastern New Mexico Grazing Association;

Resolution from the New Mexico Cattle Growers Association;

A letter bearing names of members of the French Mesa Cattle Association, the Youngville Cattle Association, the Canones Cattle Association, and a group known as the Coyote Permittees on the National Forest. These are mostly very small operators.

I have hundreds of additional letters and names but these are fairly representative of the views of both large and small stockmen in New Mexico and I will not burden the record with the voluminous material that I have.

(The letters referred to follow:)

STATEMENT OF THE NEW MEXICO CATTLE GROWERS ASSOCIATION

FEDERAL GRAZING FEES

The New Mexico Cattle Growers' Association appreciates the opportunity to present our views on grazing fees to this committee. We hope our remarks may help explain our problems and methods of operation, especially from the standpoint of New Mexico and other areas which enjoy yearlong use and are qualified for use on the basis of water. This condition is peculiar to New Mexico and Arizona and is in contrast to the seasonal use concept in use in other states. Permittees involved in yearlong operations harvest about one-third of all the animal unit months permitted on the Public Domain. Grazing of this type is generally referred to in terms of "cattle yearlong" in contrast to the better understood land base, "seasonal use."

Public Land grazing operations came about in a different way in the water base areas. These are areas of mild climate with a long growing season, very little rainfall and generally little or no natural water. Wells are deep, the water poor and in small quantity. The permits were set out on the basis of how far a cow or sheep could travel from year-round water, and the man who had developed the water received the area to graze that could be serviced from the water available. Today, as the development process continues, it is not uncommon for a fully equipped well to cost \$10,000. These wells run up to 1,000 feet in depth and will pump five gallons of water per-minute that is unfit for human consumption. Modern knowledge of geology and techniques of well drilling have been of little help in either finding additional supplies or decreasing the costs involved in exploration and development.

Development of heavy tractors and earth moving equipment has permitted the economical building of dirt surface "tanks" to catch runoff from thunderstorms when they come. We've found this type of range improvement most helpful; however, the storms are not dependable and it takes many tanks to have any certainty of water. Most are and have been built by the permittees. Of course, we would feel most fortunate if wells strong enough to supply several tanks by use of pipelines could be found, and more fortunate yet if electricity is available to pump what is found.

The water base permittee very frequently owns a very small proportion of the land he uses. He owns the homestead of 160 or 320 acres around his water, and as a matter of fact, the water is the only factor that made the homestead possible. He came West and settled and had the use of the surrounding Public Land for his livestock. This was one of the reasons for the passage of Expanded or Livestock Raising Homestead Act. The grazing permit has value because he developed water, built facilities, and created a grazing operation where there was nothing useful before. Most of the allotments are individual rather than community and are fenced. Each permittee is responsible for his operation and the condition of the range. He receives benefit from any range improvement work he does and the full consequences of any mistake. He owns little land, but has a great investment in those improvements which make any grazing of the Public Land possible—and any use by wildlife, in many cases. Because wildlife benefits here, the public shares in benefits from these developments.

Drilling of these costly wells is ridiculous to graze the two to four cows that could run on his homestead, but it is not so unreasonable to service the sixteen sections that will run from 100 to 160 cows. He will have another \$10,000 in fence and as much as he can afford in tanks and other facilities. He also has a home. None of this is of any value at all unless someone can use it profitably—use it to support a family. The allotment is generally too far from town to allow the permittee to have supplementary income unless he can work for a neighbor who is large enough to hire help, but who is in exactly the same investment position.

With this background in mind, the industry fully cooperated with the 1966 Western Livestock Grazing Survey and we, in no way, wish to cast doubt on the general validity of the survey or upon the Utah model. In fact, we wish to point to the testimony of Dr. Darwin Neilsen during the case of Pankey Land and Cattle Company vs. Hickel and Hardin in United States District Court, Albuquerque, New Mexico, on February 18, 1969. He said, "Any interpretations placed on the study other than those based on the model render the study invalid." Dr. Neilsen is the economist at Utah State University who developed the model and conducted the study.

We do object to the validity of the method in which the fees were reached in the current rule making and to the projected fee. In view of Dr. Neilsen's testi-

mony, we also object to the contention the fee is based on the study. The Bureau of Land Management Grazing Fee Analysis in its discussion of impact is most misleading in regard to yearlong areas. It purports to show that some 23% of the New Mexico permittees have smaller than 100 AUM permits, and that, on the average, they would not be affected by the new proposals until 1974. Under the 1968 fees of \$.33 per Animal Unit Month, 30 AUMs would be allowed at the \$10 minimum. Translated into cattle yearlong, this is 2 and $\frac{1}{2}$ cows, or to be practical, two cows. At the 1969 rate of \$.44/AUM, this is 22 AUMs or short of two cows yearlong. At the 1970 proposed rate of \$.53, it will allow one cow yearlong and another for six months or so. We submit that the only permittees not affected immediately will be those with "free use". The term "AUM" is misleading when applied to yearlong conditions and the impact of the fees falls upon a greater number much sooner.

The proposed fee schedule will have serious impacts upon conservation and the proper use of the range. If all economic factors remain in the same relationship, the increased fees will come directly out of the net income of the permittee, if any. His first consideration is a living for his family. The conditions of the last fifteen years have had all operators in an economic squeeze, and they have been forced to operate as economically as possible. Further cost increases will inevitably lead to more pressure on the resources and less conservation work. This will be both because he cannot afford it and because he may reach the point that he no longer cares since he is not being considered by the Government. Another impact that is equally important comes about in the stocking of the range. The yearlong areas have been traditionally cow-calf operations. The normal time of change in livestock numbers comes in the fall at weaning time. Range conditions are estimated and cows sold or added at this time. This is for several reasons. At the same time, the public benefits accrues from the same improvements.

Yearlong operations depend very greatly upon the nerve and judgment of the operator. His livestock are on the range all the time. He must be able to guess how many he can run at any one time so that either the dry grass will last until some more grows, or he must not use up the growing grass so fast that he will not be able to winter his herd. His stocking rate has to be so adjusted and determined that he can run the greatest number of cattle, but at the same time not be in a position of overgrazing. If he misses on his estimate of capacity, he can, for a time, buy feed to get along until he can adjust if he is too high. If too low, any grass that should have been grazed that is left in the summer is wasted and simply blows away. The stocking rates on the water base areas have been established by trial and error, and it is a genuine art to be able to do so. There is a rule of thumb in New Mexico that a section of land will carry one cow for each inch of rain that falls during the growing season. The general result is that the stocking rate is almost totally dependent upon rainfall. We operate on the faith that it will rain sometime.

In the fall, the growing season is over and a reasonable determination of winter feed may be made. The cattle have been gathered to wean the calves and they are on hand and can be inspected. They are at their best weight and condition. Cow-calf operations have a number of risks, but one of the greatest is for summer rains to fail or to be very late. In this case the cows all have produced a calf, the winter feed is used up, and there is no new feed coming. Cows are at their weakest at this time and without green feed their milk production is falling off. Many a rancher in this position would like to cut down on his herd at this time but it is almost impossible to do so. Cows, if let alone and given some protein supplement will get along, but if they are gathered, crowded and put under the stress of being worked, they frequently are then too weak to stand up on the trucks in shipment. In addition, they are separated from their calves and frequently cannot identify them again. The result is a cow in the poorest condition possible at a time when there is little or no market for her, and a dogie calf which will die if he cannot find a mother.

Many permittees have made it a practice to carry a few less cows and substitute weaned calves to fill out the operation. These calves or yearlings are merchantable at any time and can be removed in an emergency. They are, however, less profitable than running cows. A practical rule is that 5 yearlings can be substituted for 3 cows. Under past fee structures, the added cost in fees of making the substitution was not a controlling factor. (All animals over 6 months old are charged the same fee.) Under the proposed structure, the fees will be most significant and unless changes are made, it will pretty well prevent this practice of substituting yearlings and will be detrimental to the range. It is an artificial barrier to good management practice and flexibility.

We mentioned very briefly the factors which created the value of the grazing permits. This value is most important to the permittee, probably more so to the yearlong operator than the seasonal. To emphasize this, the yearlong permittee owns very little land—generally only around his water, and the land he owns is scattered at random throughout the permit according to where the water has been found. The improvements on it are many times greater than could be justified by the carrying capacity of the private land. If, for any reason he should lose his permit or should the fees be so high as to make the use of the Public Land unprofitable or uneconomical, he can use nothing. He would have to fence his private land in order not to be in trespass, and the cost of the fence alone would be far in excess of the value of the grazing. As fees rise, making the permit uneconomical, he can sell to a more efficient operator, but at some point in the rise of the fees, the next operator has to go out of business, and so on. The result is declining competition for permits and a decline in their value, until at the end, there is none to buy and the permit has no value.

The main difference between the seasonal and yearlong position is that in the seasonal there is a land base which consists of a unit of private property capable of sustaining the permitted livestock for some portion of the year. It may well be farm land for the growth of winter feed. In such a case, there could be some residual value if the permit were unusable. It would, however, be only a fraction of the value of a going operation with the permit. The use of the permit is still governed by the same economic factors as in yearlong areas, and a fee increase which makes use of the permit uneconomical has the same result.

Most of the studies of permit value have shown this value is dependent upon the value of whole ranch operations and fee levels have little influence, up to a point. The value of ranch operations is dependent upon the expectation of a profit, (the ability to support a family). This expectation is dependent upon the difference between costs and returns. Current studies show that the average range livestock operation returns less than 2% on investment. Explanations of the fee study indicate that the ultimate proposed fee would constitute increase in the permittee's cost of operation of up to more than ten percent. Unless the general economic position of the permittees becomes better in the next ten years than it has been for the past fifteen, it is easy to see that there will be very few still in business by the time the fee reaches its maximum.

The stated purpose of the fee increase is to drive the permittee from the range if one is to understand the comments from both the Bureau of Land Management and Forest Service. The statement is that the permit value is of utmost importance—that it has come about as a result of fees being too low—it is a "windfall" to the permittees and the Government is entitled to "recapture" this value. (It completely escapes us as to the logic of how something that was never possessed in the first place can be recaptured.) This is to be done through setting a fee which is "equal to the full economic value of use".¹ Disposal "of the permit value per se is the most important aspect of the grazing fee issue."² The same principle was discussed in several documents of the Bureau of Land Management with the NABC.

The economic principle involved is based on the assumption that grazing can be carried on if the fee charged is the same as, or more than, the net value of the forage to an owner of land. If this were true, no owner would, under any condition, operate his own ranch because he could receive the same return by renting it at no risk or management cost. The facts are to the contrary. In the long run, the lessee must have sufficient margin to cover risk and have reasonable expectation of a profit or he will not operate as a lessee.

Permit value has little relationship to fees within a certain range. Under recent economic conditions, fees would have to decline to zero or even below (subsidy) before the permit value would increase. On the other hand, due to the low profit margin of the permittees, it is doubtful that permit value can survive more than half of the proposed increase. The principle here is that permit value is related more to the value of whole ranches. When the fees rise to the point of making the operation of least efficient permittees unprofitable, they sell out to the more efficient. As fees continue to rise, there is less demand for ranches having grazing permits, and due to less competition, the permit value declines. At some point there is no permit value simply because none will buy. The whole

¹ U.S. Forest Service, U.S. Forest Service Grazing Fee Program. Presented to American National Cattleman's Association, Oklahoma City, Oklahoma, January, 1968.

² U.S. Forest Service, Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue, November 12, 1968.

process of destruction of permit value will be hastened as those who finance permittees see a decreasing ability to repay loans and they will loan less and less, or refuse entirely.

We feel certain that unless the proposed fee formula is changed to reflect a reasonable interest cost on permit value, the grazing on public lands is rapidly approaching an end.

In this context, we find ironic the testimony of George Turcott before the Federal Court in Utah recently to the effect that the new fee structure will do more to stabilize the industry than anything else in that the permittees can say that they are paying full market value for the forage.

We ask that you consider this matter and we thank you for the opportunity to present our position.

NEW MEXICO CATTLE GROWERS' ASSOCIATION,
Albuquerque, N. Mex.

RESOLUTION

Be it resolved that the New Mexico Cattle Growers' Association is deeply concerned by Secretary of Interior Udall and Secretary of Agriculture Freeman's recent press release announcing the increase of grazing fees on National Forest and Bureau of Land Management administered public lands to a base fee of \$1.23 per animal Unit month, to be achieved in increments over the next 10 years. This represents a tremendous increase, apparently based on a promise which seems to ignore the fact that the capitalized cost of a grazing permit is a legitimate and necessary cost of doing business. The public land agencies admit that there is a permit value, but the proposed fee increase seems to be a method of reducing this value to zero by taking this money to the Federal Government.

Ranches involving the use of public lands have been bought, sold, inherited or otherwise changed ownership or have been used as collateral for loans with lending agencies, both private and public. These various transactions involving the permit value have been recognized by the public land agencies as well as the individuals involved.

The livestock industry is in a very precarious financial position, considering that producers are getting less for cattle than we were eighteen years ago, while our production costs have more than doubled. The proposed fee increases would:

1. Be confiscatory in that they would raise the cost of operating on public land to a level where any chance of a profit would be extremely remote;
2. Bankrupt many ranchers;
3. Reduce the value of ranches with public lands by a very substantial amount with a consequent devaluation of all ranch lands;
4. Reduce ranchers' participation in range improvement work due to insufficient funds;
5. Remove from the economic blood stream of the state hundreds of thousands of dollars of new wealth;
6. Increase the flow of rural people to metropolitan areas, further compounding the social problem already existent;
7. Jeopardize the financial institutions who historically have cooperated with the range cattle industry;
8. Presuppose the findings of the Public Land Law Review Commission;
9. Not take into consideration the intangible, but very real "nuisance cost" of running on public land with all its restrictions, controls, uncertain tenure, sharing of the land, and water and forage resources and other problems associated with a public land grazing lease or permit;
10. The inevitable unprofitability of grazing operations will lead to the over use and gradual deterioration of the land and its resources in a futile attempt of the operator to make a living for his family.

For these reasons we oppose the implementation of the proposed grazing fee increases on National Forest and BLM lands. We believe there should be a full and complete Congressional investigation and any action be held in abeyance on the proposed increases, until the completion of such investigations and subsequent public hearings.

Attest:

ROBERT W. TALBOTT,
Executive Secretary.

SAN FRANCISCO SOIL CONSERVATION DISTRICT,
Reserve, N. Mex., February 10, 1969.

Hon. CLINTON P. ANDERSON,
 U.S. Senate,
 Washington, D.C.

DEAR SENATOR ANDERSON: The San Francisco Soil and Water Conservation District Board of Supervisors submit our thoughts on the effect of the increase of grazing fees. Our District encompasses approximately the southern half of Catron County, in which the annual family income has been averaging less than \$3000 for 75% of the families.

Most of our people are dependent almost entirely on the use of public land in their small or family ranch operation. What will our average family income be in ten years when the grazing fees reach three to four times what they are now?

We see our people migrating to overcrowded cities to provide a living for their families. This is, of course, contrary to what our Federal Government has said it is trying to accomplish.

Lack of maintenance will destroy the use of the hundreds of water developments our people have constructed on public lands. What will happen to the wildlife when the small rancher is no longer here to maintain the water developments, provide salt, and supplement now being used by game as well as livestock?

Our District could become a wilderness without being so designated as it is questionable whether or not a large corporation type ranching enterprise could operate efficiently in our District and county. The businesses located in villages throughout our District and county will fail without the support of the ranching industry.

If there are no gas stations, stores, cafes, etc. to provide services to the recreation-minded public, what will become of our recreation potential? It has been proven time after time that business cannot depend entirely on income from recreation and survive.

We see our District and county becoming a vast wasteland supporting little game for hunters, providing very limited recreation for the public, and providing no food for hungry Americans.

We encourage you to actively support congressional hearings on this important matter.

Very truly yours,

JESS BRENNAND,
Chairman.
 CHARLES McCARTY,
Vice-Chairman.

DEMING, N. MEX., *January 27, 1969.*

Hon. CLINTON P. ANDERSON,
 U.S. Senator,
 New Senate Office Bldg.,
 Washington, D.C.

DEAR CLINT: I was pleased to read in your Report from the Capitol of Jan. 21st, that you support the request of the grazing permittees for a review.

If the fees charged by the Bureau of Land Management was all that it cost the permittees to graze the Government Land no objection should ever be made. However, such is not the fact.

You, I am sure, are familiar with the Agriculture Department's private study which revealed that the actual monthly cost per animal unit was \$3.34. This does not include the monthly fee charge. Yet if the Secretary of Interior safeguards stability to the livestock industry none of the fixed expenses should be overlooked.

Some ranchers are in position to absorb the gradual raise of 9 cents per year until the \$1.23 is reached at the beginning of the tenth year. This \$1.23 can be nothing more than an arbitrary figure based on the assumption that the present fixed expenses will not change and that the livestock prices will remain static or advance. No doubt the grass resources will be worth the \$1.23 when the ten year period is reached. Yet, if it can not be paid without wiping out all the profit incentive, then it is not a fair market price. I cannot believe any one can say what is going to be fair from a grazing standpoint ten years from now.

The grazing fee problem has been considered every year by the National Council and we have been unable to come up with a satisfactory answer without first leveling off by comparison to the market price of the livestock.

I am confident based on my use of federal, state and private land that the \$3.34 per head per month is a bare minimum. The average carrying capacity here in Nex Mexico is about 10 head per section. This multiplied by \$3.34 gives \$33.40 per month per section, and this by 12, as ours is a twelve months use, adds up to \$400.00. When you add the \$1.23 to the \$3.34 and multiply by 10 and then by 12 we get \$548.40 as the total cost to graze a section of federal land for one year. How many of our small ranchers using federal land can hold on their permits with the forecast of the same fixed expenses as used by the Department in its study advancing as the years pass by.

My figures have been challenged, yet if the Department's figure is right then I do not see how mine can be disputed. Since passage of PL 88-607 the grazing users have accepted the change in management without too much complaint. However, their economic position is constantly before their creditors, with the prospect of such uses increasing. If so, the carrying capacity will be lowered with the inevitable result of lower profits.

I have no solution to offer, only to say in my judgment Sec. Udall advertised the fee raise in the Federal Register too hastily, and the implementing of such raises should be held up until an indepth study can be made by the P.L.L.R. Commission.

With kindest regards and best wishes,

Sincerely,

A. D. BROWNFIELD.

PUBLIC LANDS COUNCIL,
Washington, D.C., December 15, 1968.

HON. CLINTON P. ANDERSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR ANDERSON: The notice of Proposed Rule Making, Grazing Regulations for Public Lands (43 C.F.R. Part 4110), signed by the Secretary of the Interior on November 13, 1968, was published in the Federal Register (33 F.R. 17108) on November 16, 1968. The Notice sets forth the proposed new basis for determining grazing fees for the use of grazing district lands under Section 3 of the Taylor Act.

The regulation, as proposed, would provide as follows:

SEC. 4115.2-1(k) *Fees, payments and refunds.*—(i) * * *

(ii) Fees for each fee year will be established by the Secretary to reflect the *fair market value* of range forage as determined by the Western Livestock Grazing Survey of 1966 or as determined by a similar study which may be conducted periodically to update the fee base, if deemed necessary. Grazing fees will be scheduled to attain *fair market value* by 1979 and kept current thereafter. (Emphasis added.)

The preamble to the published Notice explains the purpose of the new regulation as follows:

The purpose of this change is to authorize the Secretary to determine grazing fees which reflect fair market value of range forage. The change also provides that the Secretary may adjust the fees annually.

The preamble further states that the proposed amendment and revision of the regulations in the manner indicated is made "pursuant to authority vested in the Secretary of the Interior by the Act of June 28, 1934 (48 Stat. 1270; 43 U.S.C. 315b), as amended and supplemented . . ."

The Director, Bureau of Land Management, in an explanatory letter to District Advisory Board members, refers to the same 1966 grazing survey study, made by Statistical Reporting Service (SRS) Department of Agriculture, and states:

The study and the various recommendations based on it have been the subject of numerous high level discussions among the Department of Interior, Agriculture, and the Bureau of Budget, which has taken a keen interest in this matter because of its Circular A-25, which requires Government agencies to charge the fair market value for Federally owned resources. The purpose of the study was to secure definite economic information upon which to determine fair market value.

It will be the purpose of this analysis to show that, notwithstanding the requirements of Bureau of the Budget Circular A-25, the fair market value is not the proper criterion under which to assess grazing fees for Federal range forage under Section 3 of the Taylor Grazing Act as it presently exists. This analysis is based on the assumption, which we believe to be sound, that an Act of Congress;

and that the clear directive of a Congressional statute may not be set aside or superseded by Executive order or by a B/B Circular.

Any appraisal of the Departments' "fair market value" adjustment in fees charged for grazing on lands in grazing districts must be made in the light of the requirements and limitations placed upon the Secretary of the Interior by the Congress, as well as by the President. The basic statute governing the administration of lands in grazing districts is the Taylor Grazing Act of June 28, 1934, as amended. The Preamble of the Act is as follows:

To stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range, and for other purposes.

The specific guidance and criterion given to the Secretary of the Interior in establishing fees for use of federal range is contained in the 1947 amendment to Section 3 of the Taylor Act, which reads as follows:

Sec. 3. The Secretary of the Interior is authorized to issue or cause to be issued permits to graze livestock on such grazing districts to such bona fide settlers, residents, and other stock owners as under his rules and regulations are entitled to participate in the use of the range, upon the payment annually of *reasonable* fees in each case, to be fixed or determined from time to time, and in fixing the amount of such *fees* the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes. Such fee shall consist of a grazing fee for the use of the range, and a range-improvement fee which, when appropriated by the Congress, shall be available until expended solely for the construction, purchase or maintenance of range improvements.

It is our position that the Congress, in the 1947 amendment, prescribed the basis for calculation of the grazing fee, by the Secretary and limited it to "reasonable fees" after taking into account the extent to which such districts "yield public benefits over and above" those accruing to the grazing users. It is apparent from the specific guidelines in Section 3 that the "reasonable fees" criterion that Congress intended and which is controlling upon the Secretary, is something less than "fair market value" however that term may be defined or determined.

It must be presumed that Congress knows very well how to spell out "fair, market value" in legislation, when it intends to do so. Nowhere in the legislative history of the Taylor Act and its various amendments has that term been used or implied, to establish grazing fees.

Section 3 admittedly fails to specify or define the "public benefits" to which it refers. It would include, at a minimum, public benefits through enhancement of watershed, wildlife and recreation uses arising as a result of grazing district administration. These public benefits are similar or analogous to those non-reimbursable or non-chargeable public benefits items in reclamation irrigation project situations. At any rate, with the increasing emphasis on multiple uses and on management plans in the use of federal range lands for grazing, there can be no doubt that the "public benefits" have been growing rather than diminishing. This points up, we believe, a major defect in the Secretary's proposal to increase the fees based on the results of the 1966 study. Neither in that study nor subsequently on his own motion does it appear that the "public benefits" have been taken into account as a part of the fee fixing process prescribed by statute.

The Secretary has indicated, in effect, that the "fair market value" criterion of B/B Circular A-25 has superseded the "reasonable fee" limitations of Section 3 of the Taylor Act. We believe Circular A-25 itself recognizes the possibility that it would not apply in all situations. Thus Section 6 of Circular A-25 provides:

6. *Changes in existing law.* In cases where collection of fees and charges for services or property in accordance with this Circular is limited or restricted by provisions of existing law, the agencies concerned will submit appropriate remedial legislative proposals to the Bureau of the Budget under the established clearance procedure . . .

It has been previously indicated by the Department during the 1963 grazing fee hearings that the fee-fixing activities of the Secretary of the Interior are also governed by the Provisions of Title V, Act of August 31, 1951 (65 Stat. 290). That statute is brief and provides as follows:

It is the sense of the Congress that any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration, or similar thing of value or utility performed, furnished

provided, granted, prepared, or issued by any Federal agency (including wholly owned Government corporations as defined in the Government Corporation Control Act of 1945) to or for any reason (including groups, associations, organizations, partnerships, corporations, or businesses), except those engaged in the transaction of official business of the Government, shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation (which, in the case of agencies in the executive branch, shall be as uniform as practicable and subject to such policies as the President may prescribe) to prescribe therefor such fee, charge, or price, if any, as he shall determine, in case none exists, or redetermine, in case of an existing one, to be fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts, and any amount so determined or redetermined shall be collected and paid into the Treasury as miscellaneous receipts: *Provided*, that nothing contained in this title shall repeal or modify existing statutes prohibiting the collection, fixing the amount, or directing the disposition of any fee, charge or price: *Provided further*, that nothing contained in this title shall repeal or modify existing statutes prescribing bases for calculation of any fee, charge or price, but this proviso shall not restrict the redetermination or recalculation in accordance with the prescribed bases of the amount of any such fee, charge or price.

The second proviso, *supra*, acts as a saving clause and protects and continues "existing statutes prescribing bases for calculation of any fee, charge or price..." It is our contention that Section 3 of the Taylor Act prescribes, within the meaning of the foregoing saving clause, the basis for calculation of the grazing fee, charge or price, namely "reasonable fees" to be fixed or determined by the Secretary after taking into account "the extent to which such districts yield public benefits" over and above those accruing to the forage users.

Nor can it be argued that the pending fee increase proposal is merely a "redetermination or recalculation in accordance with the prescribed basis", and thus excluded from the saving clause protection of the second proviso. This is so because the Secretary has clearly demonstrated that he has abandoned, in his pending proposal, the prescribed "reasonable fee" standard of Section 3, and has adopted instead an entirely different basis for fee calculation, namely the "fair market value" standard of Circular A-25.

Based on the foregoing analysis, it is our conclusion that the proposed regulation, establishing an increased grazing fee based on the fair market value standard, is improper and invalid and contrary to the "reasonable fee" limitations and provisions of Section 3. In short, since neither the 1951 Act nor the B/B Circular A-25 are applicable, it will require Congressional action amending Section 3, Taylor Act, to provide for the fair market value fee basis.

Sincerely,

HARRY F. LEE, *President*.

SOUTHEASTERN NEW MEXICO GRAZING ASSOCIATION,
Roswell, N. Mex., December 13, 1968.

HON. CLINTON P. ANDERSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ANDERSON: Enclosed is a resolution adopted by the Southeastern New Mexico Grazing Association at our annual meeting in Roswell on December 9, 1968, protesting the proposed grazing fee increases on Federally owned land.

We hope that you will be able to support the stand we have taken opposing these increases, and that you will do everything possible to prevent their becoming a matter of law.

We appreciate the help you have given us in the past, and will appreciate anything you can do in this present vital matter.

Sincerely yours,

S. P. JOHNSON, III,
President.

RESOLUTION

Whereas a drastic increase in grazing fees on BLM and Forest lands is proposed by the Secretaries of the Interior and Agriculture, and

Whereas ranchers using these lands are already in a tight cost-price squeeze, so that such an increase would, in many cases eliminate all profit and force many ranchers out of business, and

Whereas grazing fees on Public Lands are a proper subject for consideration by the Public Land Law Review Commission and/or a Congressional hearing: now, therefore, be it

Resolved by the Southeastern New Mexico Grazing Association, in their annual meeting in Roswell, New Mexico, December 9, 1968, That these arbitrary fee increases not be made effective, but that a thorough study be made by the Public Land Law Review Commission and the Congress, in order that all economic facts be fully presented.

The Southeastern New Mexico Grazing Association further approves and wholeheartedly endorses the attached resolution of the New Mexico Cattle Growers Association dated December 7, 1968.

Dated : December 9, 1968.

S. P. JOHNSON, III, *President.*

COYOTE, N. MEX., *January 2, 1969.*

Senator CLINTON P. ANDERSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: We the undersigned permittees of the Sante Fe National Forest are aware of the proposed hike on grazing fees that have been ordered by the Secretary of Agriculture, Orville Freeman, and Interior Secretary, Stewart Udall, on U.S. Forest Service and Bureau of Land Management lands.

We as permittees feel that this hike is out of proportion, and also that any movement toward this action should be withheld until there has been a Congressional review before they become or may become effective.

We ask of you that this letter and action be given all consideration possible and be relayed to the proper channels.

FRENCH MESA CATTLE ASSOCIATION,
ROGELIO CARRALES,
YOUNGSMITH CATTLE ASSOCIATION,
JAKE SALAZAR,
CANONES CATTLE ASSOCIATION,
JOE I. SALAZAR,
COYOTE PERMITTEES.
ISIDORE H. FERRAN,
Forest Advisor, Board Chairman.

(Also signed by 21 members of the association.)

Senator JORDAN. May I have unanimous consent to have included in the record at this point a statement of my own which I did not read and other statements and resolutions from various people in our State referring to this subject?

Senator CHURCH. Yes, indeed. Those materials will be included in the record.

STATEMENT OF HON. LEN B. JORDAN, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator JORDAN. Mr. Chairman and members of the committee, I appreciate the opportunity to participate in these hearings concerning grazing fees for livestock on Federal public lands. It is proper and necessary that congressional committees review the activities of the various land and resource agencies with which the committee deals to determine if the intent of the legislative act is being adhered to. Congress was given that responsibility under article IV, section 3 (2) of the U.S. Constitution.

In drafting resource management laws it is not possible for Congress to spell out in detail just how each activity is to be administered,

so it is necessary that rules and regulations be promulgated by the heads of various departments such as in this case, the Departments of Agriculture and Interior. These regulations may be adopted or modified if after proper hearings such changes seem to be necessary. Thus we can see that in some instances the philosophy of the agency heads may conflict with the intent of Congress. It is therefore necessary for Congress to hold hearings such as we have here today to discuss all the issues.

Because the Forest Service has a variable system of fees and the proposed formula is not as abrupt a change as with Interior, my observations will be mostly on the Bureau of Land Management.

The act of June 28, 1934 as amended, known as the Taylor Grazing Act, was designed to "stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement and development, *to stabilize the livestock industry dependent upon the public range*, and for other purposes." Section 3 of the act says:

"The Secretary of the Interior is authorized to issue or cause to be issued permits to graze livestock on such grazing districts to such bona fide settlers, residents, and other stock owners as under his rules and regulations are entitled to participate in the use of the range, upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users for the forage resources for livestock purposes."

In 1936 the first year of operations of the then Grazing Service which later became the Bureau of Land Management, the fee was 5 cents per animal-unit month. An animal-unit month is grazing for one cow for 1 month, five sheep for 1 month, or one horse for 1 month but the fee per AUM for horses is doubled. This was 71.4 percent of the average of beef and lamb prices per pound in the western markets. The fees were gradually increased until 1958 when the fee was set at 19 cents per AUM which was 100 percent of the average price for beef and lamb. A sliding scale formula was in effect but the fee was adjusted annually according to changes in the average price of beef and lamb in the Western States. In 1963 this formula was abandoned and 150 percent of the price of beef and lamb in the Western States was charged or 30 cents an AUM.

We are now told there is an entirely new formula and the Secretary of the Interior now proposes that beginning in 1969 the base grazing fee be adjusted annually by an index computed from the average rental rates paid by ranchers for private forage in the 11 Western States. There are so many imponderables in setting a base grazing fee under this formula that I cannot consider the fee to be reasonable. The public benefits which are to be taken into account for the reasonable fee basis under the act may or may not be a part of a range leased from an owner of private forage. Hunting, fishing, picnicking, other types of recreation, watershed management, mining, rockhounds, mineral leasing, forestry practices and cutting of trees do not usually interfere with grazing on private lands but certainly are factors in grazing livestock on Federal lands.

A lessor of private lands could prevent these other uses if they interfered with his grazing. This could not be done on public lands.

Another factor to be considered is the type of lands that are being managed. On many BLM lands a cow may have to graze over as much as 640 acres in a season to get the necessary forage while on the higher elevation Forest Service lands or on certain private lands cows may get the same forage from 20 acres. There are too many variables involved to determine that such a fee is reasonable. I quote from the November 1968 Grazing Fee Analysis of the BLM:

Essentially the Bureau of the Budget principles provide that fees should be related to Market value. Either competitive bidding or appraisal procedures can be used to reflect market value.

The committee's recommendation suggests that all agencies use one or the other of these methods. I am sure that western livestock Federal land grazers are willing to pay a "reasonable" fee as the law spells out. I do not believe, however, that a fair market value fee complies with the intent of the Taylor Grazing Act. Fair market value does not have to be set by competitive bidding, it connotes a willing seller and a willing buyer neither under duress. A livestock man who depends on the Federal public lands for grazing is under duress. It therefore seems to me that the principle of fair market value is not compatible with the stabilization of the livestock industry as the law requires, nor am I convinced that a fair market value is the same as a reasonable fee.

A joint study was made by the Forest Service, the Bureau of Land Management, the livestock organizations and the statistical reporting service in the Department of Agriculture. This was completed in 1966. Some parts of this study are controversial. Many of the livestock groups, including advisory councils do not agree with the conclusions of the study.

In view of these observations and my reservations on the formula which went into effect in the final days of the last administration, I hope all these matters will be fully discussed and that reconsideration of this whole situation will be effected.

(The letters referred to follow:)

OFFICE OF COUNTY AUDITOR, CLERK AND RECORDER,
Bear Lake County, Idaho, February 24, 1969.

Senator LEN JORDAN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LEN JORDAN: The Paris Liberty Cattle Association would like to protest the proposed raise in grazing fees on the Cache National Forest.

1. We feel that present rates are too high for the length of time cattle are permitted to graze.

2. Each permittee has, during the past few years been reduced in number until he doesn't know how to plan his herd.

3. Proposed grazing fees put this permit on a par with private pasture in cost and the value is just not comparable.

Our association will greatly appreciate anything you may be able to do at the hearing for the stockmen of this area. Summer pasture is a scarcity in Bear Lake County.

Very respectfully yours,

WILLIAM BEE, *President.*

PARIS, IDAHO, February 25, 1969.

Senator LEN B. JORDAN,
U.S. Senate,
Washington, D.C.

SENATOR LEN JORDAN: Sometimes I wonder if this Government, of the people, for the people, hasn't become exploitation of the people, by the many and

various departments of Government, I refer specifically at this time to the untimely, unwarranted increases in grazing fees on public land. I believe that this increase is unjust and discriminatory, and will adversely affect an already oppressed segment of economy. I believe this should be held up until a more detailed study can be made and an increase if necessary, be regulated by the income of the industry effected.

As a struggling young, small cattle operator this increase will greatly affect my chances of remaining in business and earning sufficient income to live on, especially in our inflated times.

DON C. NYE.

HOMEDALE CHAMBER OF COMMERCE,
Homedale, Idaho, February 24, 1969.

Congressman JAMES MCCLURE,
Longworth Building,
Boise, Idaho.

DEAR JIM: The Homedale Chamber of Commerce is deeply concerned over the increased grazing fees our cattlemen will have to pay as a result of the recent Bureau of Land Management ruling. Cattlemen in Owyhee County are extremely hard pressed to make a living now and additional cost in their operations would cause many small ranches to sell out.

As it stands now, the increase would cost the cattlemen of Owyhee County \$331,652 more to graze their cattle than present costs. The effect on the business economy of Homedale would be depressing and not make the outlook very bright for many of our small businesses.

The cost to the State of Idaho would be \$1,725,572 of net spendable income and this would say nothing of the loss in capital investment caused by the decrease in permit value.

The Homedale Chamber views the grazing fee increase in direct conflict with programs designed to maintain the small family farm, and since most of our farms and ranches in the county are small, the result would cause more of our rural people to migrate to the urban areas.

Cattlemen throughout the nation only return two per cent on their investment with present fees what will an increase do to an already overburdened industry.

Thanking you for your interest, I remain,

Very truly yours,

ANDREW WARFIELD, *President.*

MARSING CHAMBER OF COMMERCE,
Marsing, Idaho, February 24, 1969.

Congressman JAMES MCCLURE,
Longworth Building,
Boise, Idaho

DEAR JIM: The Marsing Chamber of Commerce is extremely concerned over the grazing fee increase proposed by the Bureau of Land Management for cattle and sheep utilizing our Public lands. In Owyhee County alone the additional cost to cattlemen would be \$331,652 which of course is net spendable income. This amount of income taken out of the pockets of our cattlemen in our county would have serious consequences on the business economy of our county. As you know Owyhee County is lacking in business and industry anyway and if the cattlemen were subject to the fee increase the results would be drastic.

The Chamber feels that livestock are an absolute necessity to the economy of the County and continued increase in the cost of raising livestock as compared to the price received for the live animal could very well jeopardize the industry. Current prices received for livestock are the same as received 15 years ago while the cost of machinery, clothing, and foods and everything that the rancher buys and uses has gone up nearly double.

Therefore, it would seem very necessary for the Bureau to rescind its proclamation to increase grazing fees and that fees of livestock running on Public lands be regulated by the Statistical Reporting Service survey.

Thanking you for your consideration of this very important matter, I remain,
Sincerely,

ROY E. HERMAN, *President.*

Senator JORDAN. Mr. Chairman, may I seek unanimous consent that a statement of Senator Fannin's be inserted in the record at this point?

He has been called away so it is impossible for him to be here. Also, he would like to insert a letter addressed to him by the Gila County Cattle Growers Association.

Senator CHURCH. Without objection, that will be done.

STATEMENT OF HON. PAUL J. FANNIN, A U.S. SENATOR FROM THE STATE OF ARIZONA

Senator FANNIN. Mr. Chairman, I would like to underscore some of the major arguments which have been made during this hearing.

First, I want to emphasize that I feel one of the important responsibilities of this committee is the protection of the competitive position of western livestock producers. Testimony at these sessions has indicated the narrow profit margins and abnormal costs of producing livestock on public ranges. The announced grazing fee increase will no doubt force many ranchers out of business, and while to some people this might seem to be of no immediate concern, it really would create a serious social problem with far-reaching consequences.

Next, I question the justification of uniform fees based on every animal unit month. There are many variables in livestock ranching which make the application of such uniform fees unfair, including: (1) season of use, (2) the number of livestock per acre, (3) local market prices, (4) the number of miles of fence to be built and maintained per animal, (5) the number and kind of water developments, (6) the type of forage available, (7) the quantity of supplemental feed necessary to complement the available forage, and other variable costs. These variables necessitate the abatement of fixed uniform fees, and the implementation of variable rates to meet the conditions of a particular locality. I would recommend that before a new fee schedule is set, further analyses be made of these variables and their effect on different locations of grazing. Such statistical studies are most desired by Arizonans, who would welcome and fully cooperate with department statisticians and analysts conducting such a study in Arizona.

Finally, it is urgent that the agencies involved give priority consideration to a thorough review of the long-term fee increase decision, as Deputy Secretary Train has indicated would be done. The uncertainty which now occupies the minds of cattlemen and financial institutions is devastating for both the livestock industry and for many local communities. This uncertainty must be resolved. And in conducting such a review, the agencies should not be bound by the present concept of fair market value or by the limits of the SRS study, either as it was interpreted by the agencies or as the livestock industry was led to believe the study would be used. I suggest that there still remain unexplored methods for the development of an equitable formula for the assessment of fair and reasonable grazing fees. The agencies should not be restricted by preconceived ideas of how to set grazing fees. Enlightened criteria for the setting of grazing fees is available: an arbitrary application of the present uniform fees would close the door to more equitable and reasonable approaches.

The agencies could stabilize the present situation of uncertainty by announcing the retention of the 1969 fee increase, with further increments abated pending the recommendations of the Public Land Law Review Commission, which should be available late in 1970.

While waiting for these recommendations, the agencies need not be idle: Rather they should seek to determine the feasibility of new approaches. In this effort, I offer my personal assistance and am sure that I speak for the Arizona cattlemen in offering theirs.

GILA COUNTY CATTLE GROWERS' ASSOCIATION,
Globe, Ariz., February 24, 1969.

Hon. PAUL J. FANNIN,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SENATOR FANNIN: Practically all of the cattlemen in Gila County are entirely dependent on year-long Forest Service grazing permits. Nearly all of these ranches are small to medium-sized family-operating units.

If the proposed grazing fee increase is adopted it will be financially ruinous to the cattle industry of Gila County. Capital values which have been built up by the permittees' investment in range improvements will be destroyed, along with the incentive for expenditures for future maintenance and needed new improvements.

Due to the rugged topography and large acreage required per cow many of our operational costs are higher than in other areas. The average annual calf crop on the Tonto National Forest is approximately 15% below the national average. The net income of the range livestock industry during the past few years has been practically nil.

The cattlemen of Gila County will greatly appreciate your efforts in our behalf at the forthcoming Congressional hearings.

We would like to have you insert this statement in the hearing records.

Sincerely,

LON WINTERS, *President.*

Senator CHURCH. Senator Hansen?

Senator HANSEN. If I may, Mr. Chairman, I will submit my statement and a letter from Walter C. Yose, Jr., with a statement.

Senator CHURCH. Without objection, that will be done.

STATEMENT OF HON. CLIFFORD P. HANSEN, A U.S. SENATOR FROM THE STATE OF WYOMING

Mr. HANSEN. Mr. Chairman, I want to thank you and the members of this subcommittee for the public service which you are performing by holding hearings on the recent actions of the Department of Agriculture and the Department of the Interior which will greatly increase grazing fees on public lands over the next 10 years. It is important that the Members of Congress, the appropriate Federal agencies, and the public in general fully understand and appreciate the place for livestock grazing within the public land concept. These hearings provide a means of obtaining and making public necessary information.

After studying the proposed grazing fee regulations published by the Departments on November 16, 1968, I wrote to the Secretary of the Interior and to the Secretary of Agriculture asking that these Departments refrain from instituting the proposed grazing fee regulations until the Congress had an opportunity to hold hearings. I pointed out that the Public Land Law Review Commission was engaged in a far-reaching, in-depth study of public lands, and the proposed regulations also appeared to differ from the findings of a recent study conducted by the Departments themselves. However, the proposed regulations were put into effect as scheduled.

Congress has recognized the necessity for an updating of the laws, rules and regulations relating to public lands. For this reason the

Public Land Law Review Commission was created. During the last 4 years, the Commission has undertaken a comprehensive study of our public lands. Over \$5 million has been appropriated for the work of this Commission and an estimated \$2 million more will be provided before the Commission completes its work. The commission is scheduled to make its report in June of 1970. Yet, in spite of this tremendous undertaking, new regulations which will have far-reaching effects on our public lands were promulgated only 18 short months before the Public Land Law Review Commission will finish its work. I question the advisability of such actions.

The regulations increasing grazing fees on public lands are disturbing to the people in my own State of Wyoming. Daily, I am in contact with constituents representing all phases of economic life in Wyoming. Wyoming's great concern is reflected in the number of Wyoming citizens who are scheduled to appear before these hearings.

Wyoming is a sparsely populated State, and it is a long way from Wyoming to Washington. Yet, Wyoming's able Governor and my good friend, Stan Hathaway, has made the trip to appear before you today, and four more Wyomingites are scheduled to appear before the conclusion of these hearings. This matter is important to Wyoming, and I ask all of you to keep in mind that when you are talking about regulations regarding public lands, you are talking about regulations which affect 48 percent of the land area in my State.

Grazing fee increases of up to 400 percent could have a devastating economic impact in the public land States. This Nation is engaged in a rural migration to the cities. Our Government is finding it more and more difficult to respond to the problems of our great cities. I am convinced that before we start on a course which very likely will aggravate these great problems facing us today, there are several questions which need to be asked.

1. What is the purpose in maintaining a public land system, what uses are made of these lands, and what effect do the uses have on society?

2. What was the intent of the Congress when it provided for regulation of grazing on public lands?

3. How do grazing benefits and costs on private lands differ from grazing benefits and costs on public lands? In this regard, I ask that a letter from Mr. Walter C. Yose, Jr., of the La Barge Roundup Association be included in the record at the close of my remarks.

4. How are public benefits, which grazing districts yield over and above the benefits accruing to the users of the forage resources for livestock purposes, valued for the purposes of determining grazing fees?

In 1966, the Bureau of Land Management, the Forest Service, the American Cattlemen's Association, the National Wool Growers Association, along with many thousands of others engaged in a joint study on the grazing question. It is important to determine what costs were included in that study and what weight was given to those costs in making the final determination of grazing fee rates. Do the factors reflected in private grazing lease rates also relate to the public lands? One of the greatest points of contention is the value of a grazing

permit and the extent to which this value has been recognized by government, business, and individuals.

And finally, another important question is just what effect this decision to greatly increase grazing fees over the next 10 years will have on the Public Land Law Review Commission study.

It is my earnest hope that the hearings held by this committee will help find much needed answers to these basic questions and will lead to action which will result in the application of a fee schedule for public land grazing which accurately reflects the needs of this Nation and its citizens.

(The letter referred to follows:)

LABARGE, WYO., February 24, 1969.

Senator CLIFFORD HANSEN,
Senate Office Building,
Washington, D.C.

DEAR CLIFF: I don't know whether any of this work that I have done has done any good or not.

We have not seen any report with the points mentioned by us. The lands that are public domain, are not near as good as private pasture and the quality of feed is not as good as private pasture. If it were, these lands would have been taken up by our grandfathers.

It looks to me that for one million dollars we could have had a little more comprehensive report. Those of us that were questioned had to guess at many expenses and have since noted that the expenses were higher than they realized that they were.

Why is it that so many people think that we are getting something for nothing? Why is it that so many people ignore that we are part of the public when they talk about public lands?

If this full raise goes through I hesitate to think what might happen to the small rancher. Studies by Dr. Delwin Stevens show that they are in real trouble already. We really do not feel that we have been subsidized on the public ranges as so many people contend that we have. I remember a march on Washington by the cattlemen opposing subsidies on beef a few years ago.

I sincerely hope that congress will do something to rectify this great inequity that is being forced upon us.

Sincerely,

WALTER C. YOSE, Jr.

LABARGE ROUNDUP ASSOCIATION, LABARGE, WYO., FEBRUARY 21, 1969

To Whom it May Concern on Grazing Fee Increases:

The members of the La Barge Roundup Association feel that the Western Livestock Grazing Survey did not take every point into consideration. We feel that not enough study was given to the fee situation. Those surveyed in our area were not asked to give any information on the following points:

(1). The permit price on the Bureau of Land Management is \$14.41 and on the U.S. Forest Service is listed as \$25.35. These two agencies do not recognize that these permits have value. However, the Bureau of Internal Revenue certainly recognizes that these permits have value and uses this value in computing the value of estates in assessing inheritance taxes. The statement was made to one of the permittees that what one arm of the federal government doesn't recognize, the other arm does. Permittees use their permits as collateral in borrowing money.

We do note that Senator Gale McGee has entered an amendment to the Taylor Grazing Act that may change this situation.

(2). The Western Livestock Survey was taken in the spring of 1966 in our area. The facts given in that survey were based on the records of the users for 1965. The La Barge Roundup Association records show that our expenses have risen 46.5 percent since 1965. This cost increase is due in part, to the new range management allotment program that we have entered into with the Bureau of Land Management. This program is new and very little is known on how much more it will cost the user. Our 38.3 percent cost increase on the U.S. Forest lands is due to the inflationary trend.

(3) It is noted that the survey did not take into consideration the pounds of beef produced on public lands versus that of private pastures. In checking our area the pastured are from 25 to 50 pounds heavier than those grazed on public lands. This is due primarily to the quality of feed produced on public lands. Tests conducted by the University of Wyoming show that in the first part of the grazing season the range grasses are very washy and contain very little nutriment. A cow cannot hold enough to feed her properly.

(4) We can see in no place where the percentage of calf crop was taken into consideration and private pastures were compared with public lands in the Western Livestock Survey. In our area, 70 to 75 percent calf crops are the rule on public lands and has been below 60 percent on adverse years. On private pastures this percentage consistently runs 90 to 95 percent. This is due to the rough nature of public land in most cases, and again nutriment enters into the picture. A cow doesn't breed back as well under the nutriment provided by public lands in the first part of the grazing season.

(5) We can see no place in the Western Livestock Survey where the difference in the cost of breeding was taken into consideration. On public ranges most stockmen run 5 bulls to 100 head of breeding cows for a period of 4 years, or 1 bull for each 20 head of cows. On private pastures most operators use only 2 bulls to 100 head of breeding cows or 1 bull to each 50 head of cows. The average cost of bulls for commercial breeding purposes is \$600.00 and his salvage value at the end of 4 years is about \$200.00 on the market.

The annual expenses per bull is as follows:

| | |
|--|---------------|
| Feeding cost (hay, grain, pasture, etc.) | \$114.00 |
| Depreciation per year | 100.00 |
| Interest on money invested in bulls | 32.00 |
| Death loss, at 5 percent | 30.00 |
| Veterinarian cost | 12.00 |
| Total cost | 288.00 |
| Breeding cost per cow on public lands | 14.40 |
| Breeding cost per calf on public lands | 20.57 |
| Breeding cost per cow on private lands | 5.76 |
| Breeding cost per calf on private lands | 6.40 |

The above figures are based on a 70% calf on public lands and a 90% calf crop on private lands.

It should also be noted that the mortality rate on bulls on public lands is twice that of private lands.

(6) In past years, a great many reductions were made on public lands. These cuts increased demands for leasing private pastures thus forcing the price up on private pastures.

(7) The Western Livestock Producer has to contend with wild game to great extent. In checking this we find that this amounts to 25 animal units on up on his private lands. Often this has been quite costly to the rancher. The Wyoming Fish and Game Department has fenced many stockyards of hay to help the rancher keep this cost down. To be fair, it is thought by some that some sort of credit could be given. We realize in part that this is a state problem.

In conclusion we would like to point out that the great majority of the livestock producers of the west are natural conservationists. We do not like to see the ranges pockmarked with indiscriminate oil locations and a hodgepodge of mining explorations with the resultant scars. We detest timbering that leaves piles of junk that are never cleaned up. We favor multiple use but with controls such as are placed upon us. Many reductions have been forced upon us by inadequate range managers and forest rangers. We have lived with these ranges for the most part all of our lives and we understand what they do in wet years and dry years. We have regulated our herds and grazing to meet the weather conditions which affect the range conditions. There is no livestock man who wants to destroy or harm the range where he runs his cattle or sheep. Controlled grazing has been proven beneficial to watersheds.

We cannot understand why conservationist groups and others are so much against us. However, to be fully fair, a charge should be made to every rock-bound that heads for the hills in search of precious and semiprecious stones or arrowheads as should the man with the snow machine or the motorcycle or the sandbuggy and on down the list that would include almost everyone who heads for the hills for his vacation or outing.

It just seems to us that more and more the government is really trying to kill off the small rancher and farmer with such things as higher interest rates and higher grazing fees while the price for his product he receives is quite low. I think that it is a tribute to the livestock man's ingenuity to stay in business. Most of us are in the business because we love it. It certainly isn't for the money. Believe it or not, it is quite a struggle to be in this business.

We hope that Congress will take the points that we have presented into consideration and will help curb what we feel is unreasonable fee increases. The method by which it was forced upon us was not even fair by the democratic processes of government.

Senator BURDICK. I would like to ask unanimous consent that the statement of the North Dakota Stockmen's Association be included in the record at an appropriate place. It is signed by Kyle Miller, president.

Senator CHURCH. Without objection, it will be included in the record at this point.

(The letter referred to follows:)

STATEMENT OF KYLE MILLER, PRESIDENT, NORTH DAKOTA STOCKMEN'S ASSOCIATION

The North Dakota Stockmen's Association, representing the State's beef cattle industry, wishes to be placed on record as deploring what we consider to be premature increases in grazing fees on both Department of Interior lands and on Forest Service lands.

We had anticipated there would be some upward adjustment in livestock grazing fees on public lands and had assumed that such adjustments would be forthcoming after the Public Land Law Review Commission had completed its study and made recommendations.

However, we were most surprised and vexed to learn last November that the Interior Department and Forest Service had announced very substantial increases in fees to be applied over a number of years without waiting to learn what the findings and recommendations of the Public Land Law Review Commission might be.

We were further distressed to take note of the fact that neither the Secretary of the Interior nor the Secretary of Agriculture considered the permit value as a cost of doing business while grazing on public lands.

In summary: This Association thinks the decision to increase grazing fees on public lands was arrived at hastily and in defiance of the Public Land Law Review Commission.

We, therefore, earnestly petition that the grazing fee increases, as announced, be rescinded, or at least delayed, until the full findings and recommendations of the Public Land Law Review Commission are completed.

Senator CHURCH. Senator Hatfield?

Senator HATFIELD. Mr. Chairman, recognizing the legal and the historic patterns that are interwoven into the fabric of the grazing industry throughout the West, I find myself directly opposed to the manner in which the increase in grazing fees has been instituted. The action of the Secretary is precipitate and there is serious question in my mind whether it complies with the intent of Congress in its enactment of the controlling laws.

The twofold effect of a fee increase and a disregard of permit value seriously jeopardizes the ability of the American livestock industry to continue to meet the needs of consumers in an efficient and economical manner.

I am also concerned that this action does not become another device for substituting executive edict for legislative action. Congress has described the manner in which our public lands may be used for grazing purposes. Congress ought to act on needed changes.

Senator CHURCH. Senator Packwood, of Oregon, has sent a statement for the record.

(The statement referred to follows:)

STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM THE STATE OF OREGON

Mr. Chairman, I am opposed to the grazing fee increase. My position is that grazing fees should be rolled back to where they were before the increase and should stay there until the Public Land Law Review Commission finishes its study, which includes the subject of grazing fees.

Senator CHURCH. Senator Cannon has sent a statement for inclusion in the record.

(The statement referred to follows:)

STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman: I appreciate this opportunity to express my concern over the effect the recently promulgated grazing fee increase on Federal lands will have on the economic structure of the state of Nevada and the livestock ranchers themselves.

These hearings perform a vital function in bringing to light all of the pertinent factors in establishing a fair rate for the use of public domain lands for ranching purposes, and I am pleased to convey to the committee some of the factors which I feel should be considered before any changes in the grazing fee structure are made.

Scores of my constituents have written to me on this subject and a common thread runs through almost all of their correspondence. They have no quarrel with paying a fair rate for the privilege of grazing on public lands. What they justly request is consideration of all of the factors which go into the cost of doing business and the realization on the part of our government of the economic effect an overly ambitious increase will have. The new fee increase is a case in point.

The increase in grazing fees on Federal lands will have a sizeable economic effect on permittees and the state of Nevada. A fee hike adds another cost to permit holders who are already suffering from a cost-price squeeze. Many operators have been showing a loss on the operation for the past five years or are just breaking even. Even the best operators have shown only a two per cent return on their investment.

Permits to graze livestock on these lands have acquired value over a period of time in competitive grazing markets. Since most permittees have not only paid the set grazing fee but additional fees for improving their allotments, and these improvements have benefited other resources besides domestic livestock grazing, the increase will result in both income and capital losses for permittees.

Such increases will also have an adverse effect on the income of local business and other segments of society. In Nevada, the out-of-pocket costs to ranchers would be about \$2 million annually. Conservatively, this would mean a loss of \$4 million which would normally be generated to the local economy. Many ranchers will be forced out of business. Others will be forced to use savings or borrow on appreciated land values to protect their investments.

On the state level, Nevada stands to lose a significant part of its economy and use of its agricultural natural resources. The reason for this is that approximately 87 per cent of the land in Nevada is Federally owned. Over 47 million acres is administered by the BLM. The real property taxes paid by the ranchers in the state constitute an essential financing element to the state, county and city governments. When action is taken to severely decrease the market value of ranching properties, such as the present fee increase will do, it has a drastic and a serious reducing effect on the amount of tax revenues available to the governments to carry out their programs and service.

The time has come to face up to the very serious problems generated by this overly ambitious fee increase. It is my hope that this hearing will help us do just that.

Senator CHURCH. Our next witness is Congressman Harold (Bizz) Johnson from California. Is he here? His statement will be included at this point as if read.

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. JOHNSON. Mr. Chairman, may I first express my deepest appreciation that your fine committee is conducting these hearings into the advisability of actions taken earlier this year by the Departments of Agriculture and Interior for I feel very strongly that if these actions are permitted to stand unchallenged they will have extremely disastrous effects upon one of our basic western industries which already is caught in the vice of a cost-price squeeze. I refer to the livestock industry which has suffered from many difficulties over the years including the adverse effect of heavy imports of meat products, the ever-increasing cost of labor, increased taxes, and other problems.

Now we have piled upon these other burdens an unwarranted and excessive increase in fees charged by the Federal Government for grazing livestock on public lands.

In the 11 Western States, including California, much of the grazing of livestock takes place on federally owned lands administered by the U.S. Forest Service and the Bureau of Land Management. In my own Second Congressional District, approximately 18 million acres of land are in this category. The grazing areas of the northern and central California area that I represent are almost entirely federally owned with some of the counties in my district having only 10 to 20 percent of the land in private ownership, so you can see that, whether we like it or not, we are dependent upon the public lands of the BLM and the Forest Service for grazing our livestock.

It should be emphasized that this grazing of livestock on public lands is in accordance with the congressionally dictated principles of multiple-use of these lands and in accordance with sound range management practices. Therefore we must recognize it as a rightful use of our public lands. I emphasize this because arguments presented for increasing grazing fees maintained that this action would force some of the marginal operators to give up their permits to the benefit of the public lands. First of all, I challenge the statement that elimination of grazing would benefit the public lands and will discuss this further later but, at this point, I want to stress that it is not the business of the Government to adopt any policy with the intention, implied or stated, of forcing any legitimate businessman into bankruptcy.

It is true many livestock operators caught in the present cost-price squeeze are earning barely more than poverty levels of income. They are working long hours and taking economic risks for a return of \$3,000 to \$4,000 a year, but for most of them this is the only life they know, this is the life they have grown up with and this is the life and business they will follow until they die unless forced into bankruptcy by some arbitrary Federal act such as the unrealistic increase in grazing fees ordered by the Secretaries of Agriculture and Interior a few days ago.

This action by these two Departments, operating under extreme pressure from the Bureau of the Budget, was not a hasty one but followed one of the most comprehensive surveys ever made by any Federal agency known as the 1966 Western Livestock Grazing Survey. The tragic thing about it is, however, that after this survey was completed, the Federal agencies threw out one of the basic criteria which,

prior to and during exhaustive studies, had been agreed to by the Departments, the Bureau of the Budget, and the industry, namely, the inclusion of the dollar market value of the Federal grazing permit as a production cost. The elimination of this factor, as you can see from the tabulations which I would like to include at this point, is sufficient to destroy the validity of the entire study.

TABLE I.—U.S. FOREST SERVICE—AVERAGE COSTS PER ANIMAL-UNIT-MONTH FROM GRAZING FEE STUDY¹
(CATTLE)

| | Average nonfee cost per AUM of running livestock on Forest Service lands ² | Average cost per AUM of running livestock on private lands |
|---|---|---|
| 1. Annual capitalized market value of the grazing permit ³ | \$1.52 | |
| 2. Private lease rate..... | | \$1.86 |
| 3. Lost animals..... | .61 | .38 |
| 4. Association fees..... | .19 | |
| 5. Veterinarian..... | .13 | .14 |
| 6. Moving livestock to and from allotment..... | .33 | .24 |
| 7. Herding..... | .47 | .16 |
| 8. Salting and feeding..... | .41 | .85 |
| 9. Driving to and from allotment..... | .41 | .27 |
| 10. Water..... | .04 | .07 |
| 11. Horses..... | .23 | .10 |
| 12. Fence maintenance..... | .27 | .28 |
| 13. Water maintenance..... | .18 | .10 |
| 14. Development depreciations..... | .13 | .02 |
| 15. Other costs..... | .17 | .12 |
| Total cost per AUM..... | 5.09 | 4.59 |

¹ Represents all national Forest Service lands in survey.

² Represents the average nonfee costs of running livestock on Forest Service lands. The average grazing fee in 1966 was \$0.51 per animal-unit-month for cattle.

³ Capitalized at 6 percent (the cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$25.35 per animal-unit-month on a national basis (regions I-VI). (The computation was as follows: \$25.35 times 6 percent equals \$1.52 per animal-unit-month.)

TABLE II.—BUREAU OF LAND MANAGEMENT, AVERAGE COSTS PER AUM FROM GRAZING FEE STUDY¹—(CATTLE
AND SHEEP)

| Item | Average nonfee cost per AUM of running livestock on BLM lands ² | Average cost per AUM of running livestock on private lands |
|--|---|---|
| 1. Capitalized grazing permit ³ | \$0.87 | |
| 2. Private lease rate..... | | \$1.82 |
| 3. Lost animals..... | .60 | .40 |
| 4. Association fees..... | .04 | |
| 5. Veterinarian..... | .10 | .14 |
| 6. Moving livestock to and from allotment..... | .21 | .24 |
| 7. Herding..... | .49 | .20 |
| 8. Salting and feeding..... | .69 | .87 |
| 9. Driving to and from allotment..... | .31 | .28 |
| 10. Water..... | .11 | .07 |
| 11. Horses..... | .12 | .09 |
| 12. Fence maintenance..... | .21 | .27 |
| 13. Water maintenance..... | .20 | .10 |
| 14. Development depreciations..... | .11 | .02 |
| 15. Other costs..... | .14 | .13 |
| Total cost per AUM..... | 4.20 | 4.63 |

¹ Represents all BLM grazing districts.

² Represents the average nonfee costs of running livestock on BLM lands. The average grazing fee in 1966 was \$0.33 per AUM.

³ Capitalized at 6 percent (cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$14.41 per AUM on a national basis. (The computation was as follows: \$14.41 × 6 percent = \$0.87 per AUM).

The 1966 Western Livestock Grazing Survey, the results of which are summarized above, was conducted for the purpose of establishing a sound economic basis and equitable comparison of total grazing costs for running cattle and sheep on public versus private lands. The cost criteria that were included in the study were agreed to by the Statistical Reporting Service of the Department of Agriculture, which conducted the study, the Bureau of the Budget, the Bureau of Land Management, and the Forest Service, as well as the range livestock industry.

There were 15 individual public and private cost items included in the study, including the dollar market value of the livestock grazing permit. Over 14,000 individual questionnaires were compiled, 10,000 of which were completed by SRS by securing individual cost records from ranchers in the western part of the United States. A large number of lending institutions also completed questionnaires relative to the dollar market value of the livestock grazing permit. The range livestock industry cooperated with the study in good faith on the basis that an area by area, or region by region comparison of all grazing costs for private and public lands would serve as an equitable and realistic means of establishing the economic value of forage and thereby a reasonable grazing fee level and structure. Without this cooperation, the study could not have been made.

In the case of Federal lands administered by the Forest Service, the 1966 Western Livestock Grazing Survey clearly indicated that by comparing total grazing costs, Forest Service permittees were already paying full economic value for the forage. Therefore, in contrast to the proposed grazing fee increases for Forest Service lands made by the Secretary of Agriculture, no grazing fee increases are justified in 1969 for domestic livestock running on Forest Service lands. Actually, the comprehensive grazing fee study indicated that range livestock permittees are paying more than economic value for forage.

Without the inclusion of the annual capitalized dollar value of the grazing permit in the comparison of total nonfee grazing costs, an equitable and reasonable grazing fee cannot be established. The American National Cattlemen's Association, speaking for the beef cattlemen of the Nation, objects violently to the grazing fee proposal.

I certainly share these views and I believe that the association has stated its position extremely well and therefore, Mr. Chairman, I would like to insert the comments filed by the association on three basic factors at issue in this matter:

POSITION PAPER—AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

A. GRAZING FEE PROPOSAL—U.S. FOREST SERVICE LANDS

The grazing permit, since 1905, as administered by the Forest Service, has accumulated value and become a definite cost of doing business for the following reasons:

1. In order for the livestock operator to be granted a grazing permit in the first place, most permittees must have sufficient private land and/or water resources to sustain their livestock while they are not running on federal land . . . the commensurability requirement. This and other requirements by law and regulation have, by necessity, forced the dollar market value of the permit to be capitalized into the total ranch investment structure. As a result, the dollar market value of the grazing permit has been considered over the years to be a non-depreciable asset, like land, and to exist in perpetuity, like most

ranches, even though the permit itself has been also continually associated with a high degree of economic risk.

2. In addition to the livestock grazing permit serving as an integral part of the investment structure of the entire ranching operation, it is also considered by the agricultural lending institutions as a key element in determining whether short, intermediate or long term credit will be extended to ranching operations dependent upon the use of federal lands to graze livestock.

3. The average value of the livestock grazing permit, based upon the results of the 1966 Western Livestock Grazing Survey, on Forest Service lands was \$25.35 per AUM. This permit value as a specific investment and cost over the years has been recognized by the Department of Defense (i.e. the Engle Act of 1942), the Internal Revenue Service with respect to settling estate matters, the Farmers Home Administration in loaning money to range cattle and sheep operators currently and by the many other agricultural lending institutions throughout the West loaning money to these same range livestock operations.

4. A major portion of the current value of the livestock grazing permit has accumulated and increased in value over the years as a result of the thousands of dollars that many range livestock operators have invested into range improvements of many kinds, both on public and private lands. For a number of years if it were not for the money spent by stockmen on range improvements of all kinds, there would not have been any range improvements if federal funds appropriated for this purpose were cut to zero. Because range improvements take the form of water development, clearing of brush and noxious weeds, re-seeding of ranges, building and maintaining roads, etc., these range improvements not only add to the productivity and value of the range for livestock grazing, but they also resulted in many reciprocal benefits to the public in general.

As in the case of the private lease rate, the livestock grazing permit also reflects the taxes paid by the livestock operator on private lands.

The dollar market value of the grazing permit also is closely associated with such important factors as: weaning weights, calving percentages, and the general condition and health of the cattle and sheep running on these federal lands. It was understood prior to the time the study was conducted, that these important quality and economic factors could only be reflected through the capitalized dollar value of the grazing permit as an annual cost of doing business. Otherwise, these and similar important cost and value factors would not have been reflected in the study.

5. The matter of security of investment also has had a significant influence on the accumulated value of the permit over the years, since it would not be possible to maintain an economic unit in almost all cases without the availability and use of federal lands for livestock grazing during all or a portion of the year.

B. PUBLIC BENEFITS

1. Range cattle and sheep operators using public lands in connection with their private lands for grazing livestock have over the years provided access to the public lands and thereby making available their private lands for easy and convenient access. Considerable time is spent by typical range livestock permittees in giving direction to hunters, fishermen, and others interested in traversing their private lands to gain access to the public lands. These same people are often provided with water, car and automobile repair, the use of a telephone, meals, etc., at no cost.

The value of the livestock grazing permit is also affected and very closely related to the multiple-use concept. The average value borne out by the 1966 study of \$25.35 per AUM for Forest Service lands would, in most cases, double or triple in value if such a permit gave the range livestock operator exclusive use and control of the federal lands on which his livestock run . . . but, of course, such is not the case.

2. Another specific and significant example of public benefits relates to the large amount of money and many hours spent by representative range livestock permittees in building and maintaining roads on public lands at their own expense, in developing and maintaining water facilities, developing and increasing the quantity and quality of forage, etc. These and other factors not only increased the capability of increasing the quantity and quality of food and fiber for the American people, but also results in substantial public benefits in the form of increased access to both public and private lands, availability of water for human consumption and wildlife, and, of course, increased and improved

forage for wildlife, as well as substantially improving upon the watershed and management of the entire federal land.

C. ECONOMIC IMPACT OF GRAZING FEE CHANGES

The new formula for grazing fees will have the following impact on the range livestock and rural communities involved:

1. A net decapitalization or loss in equity in these range cattle and sheep operations from 25% to 50%, including a total loss in the dollar value of the grazing permit which is now capitalized into the total ranching operation.
2. A substantial loss in ranch equity and increased operating expenses resulting from the Grazing Fee formula would force the liquidation of many range livestock operators and place the livestock lending institutions involved in a position of having to make a very critical review of whether they any longer could justify extending short term, intermediate, or long term credit to livestock operations dependent upon the use of federal grazing lands.
3. The government grazing fee proposal would also cause a severe adverse economic impact on the many rural communities throughout the Western United States, who are either totally or largely dependent upon the economic stability and perpetuation of the livestock industry. Such a grazing fee proposal would amount to many millions of dollars lost by many local businesses and governments who are dependent upon a healthy and economically stable livestock industry.

Mr. Chairman, the facts of life are that the industry and Government recognize the dollar value of a grazing permit. This has been true for many, many years. Local government collects taxes based on the possessory interest the livestock operator has in the Federal lands as is reflected by the dollar value of the grazing fee permit.

The only reason that I have heard for elimination of this factor from the 1966 grazing fee was a fear that including the value of the permit would recognize a proprietary interest in the public lands. I think, Mr. Speaker, that this response is grasping at straws. The facts of life are that the permits do have value and I do not believe the Federal Government can close its eyes to the fact. Anyway, the mere fact that the cash value of a permit is included in a study of fee structures in no way could be interpreted as giving the permit holder a proprietary interest in the Federal lands.

When the proposed decision was published last November, I opposed the new formulas based on the general philosophy that it was not timely and contrary to the findings of the 1966 study. My views were contained in the following letter dated December 7, 1968, which was directed to the Secretary of Agriculture and the Secretary of the Interior:

DEAR MR. SECRETARY: In recent days, I have had an opportunity to discuss with many members of the livestock industry the proposed increase of grazing fees on National Forest and public lands.

As you are well aware, the increases covering a period of the next ten years amount to approximately 400 percent on public lands under Bureau of Land Management jurisdiction and 200 percent on National Forest lands. I think this is not only excessive but also, in view of the present situation, it is untimely and premature.

As you well know, the Public Land Law Review Commission currently is giving active consideration to all aspects of public land utilization and it had been the wishes of Congress and the appropriate Committees of Congress that fundamental changes in land management such as certainly these adjustments are should be deferred until after the completion of the Public Land Law Review Commission studies. Accordingly, Mr. Secretary, I believe that in order to avoid disruption of this industry which is basic to our economy, we should defer implementation of these proposed adjustments until the Public Land Law Review Commission completes its work.

Frankly, I do not believe there is any urgency to these proposed changes which would preclude this deferment. However, if you are convinced there is such an urgency that these changes cannot wait for the recommendations of the Public Land Law Review Commission and Congressional consideration of these recommendations, we should at least wait until the appropriate Committees of Congress can hold hearings on these proposals early next year. I have requested that such hearings be held.

This delay, until at least the opening of the 91st Congress, is especially important at this time in view of the fact that we are on the eve of a new Administration.

In view of the allegations which have been raised since November 15th that the suggested adjustments are contrary to the fact revealed in the 1966-67 grazing fee study and survey, the new Administration and the 91st Congress must have an opportunity to evaluate the recommendations published by your agency last month.

Sincerely yours,

HAROLD T. (BIZZ) JOHNSON,
Member of Congress.

I still feel very strongly that the Congress of the United States, the Public Land Law Review Commission, and a new administration inaugurated January 20 should have an opportunity to review the situation prior to the implementation of the new fee structure. But no, Mr. Chairman, the two Secretaries, with a scant 6 days left in office, took this action which could destroy a major segment of the livestock industry.

Mr. Chairman, the livestock industry in no way wants to shirk its responsibilities and is willing to pay a reasonable fee to use the Federal lands. I should note that grazing fees paid to the Forest Service alone during 1967 totaled \$4,183,348.

Mr. Chairman, I would like to touch on one other point in addition to the basic question raised as a result of the grazing fee studies. I should explain that the Taylor Grazing Act under which these permits are authorized, does insist that the basic values are recognized.

This includes the value of water developments, improved wildlife habitats, and improved access to public and private lands. Since the basic act itself does recognize these benefits, I feel very strongly that they should be recognized in determining the fees assessed to the grazing operations. I do not believe that this has been done as fully as it could have been as a result of the study.

It is cruel and unjust that the basic criteria agreed to by all concerned, including the Federal agencies, prior to the start of the study should be eliminated arbitrarily in the final hours of decision. The livestock industry acted in good faith, the Federal agencies failed to respond in kind.

It is my hope that this committee, following the current thorough investigation which you are now making of the entire matter, will recommend steps to correct this gross injustice. Immediate action is critical. Thank you.

Senator CHURCH. We also have a statement from Congressman Lloyd of Utah for inclusion in the hearing record.

(The statement referred to follows:)

STATEMENT OF HON. SHERMAN P. LLOYD, A U.S. REPRESENTATIVE IN CONGRESS
FROM THE STATE OF UTAH

I submit this statement in opposition to the grazing fee increase announced in the Federal Register of January 14, 1969, for lands administered by the Departments of Interior and Agriculture.

The policy to increase grazing fees does not, in my opinion, give full and proper recognition of the total costs of operating on public land, nor does it take into account the negative economic impact upon ranchers and communities in the western public land states.

The full effect of the increases will be particularly damaging, if not fatal, to the livestock industry of my own state of Utah, where it would not be possible to have a livestock industry without the reasonable use of public lands at reasonable cost to the user.

In Utah, the Federal government owns and controls 35 million acres, or some 67 percent of the total land area. Of the total acreage under Federal ownership and control, nearly 65 percent is administered by the Bureau of Land Management, and 23 percent is administered by the U.S. Forest Service. Percentages of Federally-owned land in the rural areas are, in many cases, higher than the state total. Public land policies, therefore, play an even more significant role in the economies of these rural counties, many of which could already be classified as economically depressed.

The small to medium sized operators, who constitute the bulk of the livestock industry of our state, will be particularly hurt by this new policy. To illustrate: of the 1,794 operators holding permits to graze cattle on BLM land in Utah in 1967, nearly 91 percent of the permits were for herds of 200-head or less. Of the 519 operators holding permits for grazing sheep, 79 percent were for flocks of 2,500-head or less.

The cattle industry recognizes that some increase for grazing of public lands may be justified, but the new regulations fail to recognize the value of a grazing permit as a cost of doing business for the rancher. Utah ranchers alone have an estimated \$33 million in capital assets tied up in these grazing permits, which are traded along with other ranching assets at market prices. The announced increase, when fully implemented in the 10-year period, will critically damage if not destroy permit values, and distorts the true economic picture. Reliable informants in Utah declare that this factor will also reduce the value of ranch property by 40 to 50 percent from current levels for those ranchers dependent upon the use of Federal lands.

Studies by the American National Cattlemen's Association and the American Farm Bureau Federation show that if the annual capitalized market value of the livestock grazing permit were included in computation of the total cost of grazing, there would be little, if any, difference in the value of forage on public and private land.

The full effects of the increases on Utah can only be estimated at this time. However, a study prepared by Messrs. Darwin B. Nielsen and N. Keith Roberts of the Department of Agricultural Economics, Utah Agricultural Experiment Station, Utah State University, shows the following potential economic loss to Utah as a result of the fee increases:

1. \$33 million in capital losses to Utah ranchers due to failure to recognize capital invested in grazing permits as a cost of doing business.
2. \$1.5 million loss in annual income to ranchers due to grazing fee increases.
3. \$3 million loss in secondary sectors of the economy due to reduced income to ranchers.

In addition, I believe there are other considerations of basic human needs which are being ignored here. The Federal Government spends millions annually in programs to help ease the poverty of rural areas, and reverse the migration to over-crowded cities. The increase in grazing fees is an example of direct conflict with this national policy, and very probably will contribute to greater poverty by forcing many livestockmen out of the business. Western Regional ranch studies show that even large operations usually return only three to five percent on the capital investment. Small to medium operations earn in most cases less than three percent on the capital investment, and in many cases, operate at a loss.

I believe legislation should be enacted to help stabilize our livestock industry. Foreign competition and increasing operating costs have already placed our livestock industry in a vicious cost-price squeeze. In addition, the industry faces the constant threat of changing policies on the use of Federal land, on which many depend for survival. The authority granted to the Executive Departments in this matter leaves entirely too much room for such arbitrary action, and at this time, I am preparing a bill to establish clear and precise legislative limitations upon the authority of the Administration regarding grazing fees on public land.

The Executive Departments have advised me that they would be ignoring their responsibilities under present law by waiting for the recommendations

of the Public Land Law Review Commission on this issue. Following this argument, Congress, I believe, would be ignoring its responsibility if it failed to remove this persistent threat to the domestic livestock industry through enactment of a legislative solution establishing the limits of administrative authority on this issue.

Senator CHURCH. We come now to Hon. Russell Train, Under Secretary of the Interior, accompanied by Boyd Rasmussen, the Director of the Bureau of Land Management. Gentleman, if you will please come forward.

Senator CHURCH. If you will present your testimony at this time, we would appreciate it very much.

STATEMENT OF HON. RUSSELL E. TRAIN, UNDER SECRETARY OF THE DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY BOYD RASMUSSEN, DIRECTOR OF THE BUREAU OF LAND MANAGEMENT

Mr. TRAIN. Mr. Chairman, members of the Senate Interior Subcommittee on Public Lands, I appreciate this opportunity of coming before you to take part in discussion of recently adopted regulations increasing grazing fees. My own statement will be brief.

I am accompanied by the Director of the Bureau of Land Management, Boyd Rasmussen, who has a more detailed statement and is prepared to answer technical questions that members of the committee may have.

The new schedule of grazing fee increases went into effect on January 14, 1969. The schedule provides for \$1.23 per animal unit month (AUM) grazing fee to be in full effect in 10 years. The first increment is 11 cents, making the 1969 AUM charge 44 cents. The land users are now receiving their grazing billings at this increased rate. My understanding is that this is within 1 cent per AUM of what most stockmen interested in the issue believe is reasonable." And that understanding is based upon the recommendation of the Secretary's National Advisory Board Council. However, this represents the total increase they are willing to accept as compared to \$1.23. The major concern relates to the handling of the "permit value."

For our part, the Department will keep this whole matter under review in the future. We will be evaluating and reviewing with great care the information that will be presented at both this hearing and the House committee hearings next week. The legislative proceedings now in progress and the litigation currently in process in the States of Utah and New Mexico may also have a bearing on the final outcome. We also believe that the Public Land Law Review Commission might later have some information and recommendations that could reflect on the scheduled grazing fee increases. Because the scheduled increase in grazing fees has been implemented does not mean, therefore, that the subject is closed forever.

I would like to ask that the Department of the Interior news release of February 18 concerning the grazing permit billings be placed in the record.

Senator CHURCH. I place that news release in the hearing with my opening remarks.

Mr. TRAIN. Those of you who are familiar with this news release know that Secretary Hickel announced that the billings for the graz-

ing permits were being issued in accordance with the public regulations.

Within the statutory and legal limitations, we of the new administration are determined to see to it that a "fair market value" fee will be charged in the coming years.

I have asked Director Rasmussen to report to you the steps the Department took prior to January 14, working with the Department of Agriculture and the Bureau of the Budget in evaluating and developing its decisions.

Once again, I want to thank you for the fact that you are holding these hearings. I appreciate the opportunity of appearing before you and look forward to working cooperatively with members of this committee and the House committee in handling this and other matters.

Thank you, Mr. Chairman.

Senator CHURCH. Thank you very much, Mr. Secretary, for your statement.

I think in order to conserve time, we will move right ahead with your statement, Mr. Rasmussen, unless any member of the committee has objection, and then we can question both of you at the same time. So, Boyd, if you would proceed with your statement now, please.

Mr. RASMUSSEN. Mr. Chairman, members of the committee, the Bureau of Land Management appreciates the opportunity to meet with this committee on the subject of grazing fees. Grazing fees and the new regulations have been a matter of considerable interest on both sides of the question. Some aspects of the new regulations have been accepted as an improvement over the former system. Unfortunately, these aspects have been largely overlooked in the issue over the new fee amount and its duration. This statement will cover various aspects of the new grazing fee policy and will start with a brief background on the grazing resource and grazing charges.

THE LAND BASE

The Bureau of Land Management is responsible for management of the grazing resource on the public domain lands in the West. In total, the Bureau is responsible for multiple use management on about 450 million acres of land; 175 million acres located in the 11 Western States and 275 million in Alaska. As directed by Congress, and in cooperation with the people and local governments, these lands are administered for forage, wildlife, minerals, recreation, wood, and water; open space and community growth. The land area suitable for grazing of domestic livestock in the Western States is about 160 million acres.

Cattle and sheep have grazed the public domain lands for many years going back to the Spanish colonization and the later American settlement periods. Livestock operations on public lands have been an important use and will continue to be. Congress passed the Taylor Grazing Act in 1934 to stop uncontrolled grazing and injury and to provide for orderly use of the lands, as well as to stabilize the dependent livestock industry. The Classification and Multiple Use Act

of 1964 reaffirms domestic livestock grazing as part of multiple use management. Public land forage is important to the dependent ranchers and communities in the Western United States. Furthermore, livestock grazing is an important component of balanced land use. On a national basis, public domain lands administered by the Bureau of Land Management provide about 1 percent of the feed for all cattle and 6 percent of the feed for all sheep. In the 11 Western States about 5 percent of all cattle feed and 13 percent of the sheep feed is provided by public domain lands.

HISTORY OF GRAZING FEES

The first grazing fee for use of public domain land in the Bureau of Land Management districts was established in 1936, 2 years after the passage of the Taylor Grazing Act. At that time the Secretary of the Interior proposed a 10-cent fee. The Department viewed this as a minimum acceptable fee and not a full value fee. The livestock industry was unwilling to accept the 10 cents and the 1936 fee was set at 5 cents per animal unit month.

The flat fee of 5 cents prevailed from 1936 to 1946. From 1947 through 1957, the fee increased through the years by negotiation with the livestock industry to 15 cents. Beginning in 1958, the fee was set through a formula using livestock prices as an index. The fee gradually increased to 19 cents in 1962.

Grazing fees became the subject of hearings before the Senate Interior Committee on February 7-8, 1963. These meetings indicated that the fees on public domain continued below the fees charged by other Federal agencies and private lease rates. Based on the livestock price formula, the fee was increased to 30 cents in 1963. In 1968, the fee was 33 cents.

Meanwhile, pressure developed for an overhaul of the basis for charging grazing fees. In the act of August 31, 1951 (65 Stat. 290), Congress spelled out its general policy on fees and charges for Government services, privileges, permits, and similar things of value. Subsequently, audit reports of the Comptroller General were critical of the level of fees charged. The Comptroller General's report of September 1958, transmitted to the Congress on September 24, 1959, recommended a joint study be undertaken with the objective of arriving at a uniform basis for establishing grazing fees.

The Bureau of the Budget also expressed interest in charges for federally owned natural resources which resulted in issuance of Budget Circular A-25, in 1959, and the natural resources user charges study in 1964.

The basic thrust of these directives is that: (1) where federally owned resources of property are leased or sold, fair market value should be obtained; (2) a uniform basis should be used by all agencies to establish fees; and (3) that fees should be based on the economic value of the use to the user. Economic value should be set by appraisal or competitive bidding. Where competitive bidding is not feasible, the appraisal should take into consideration comparability with fees established for comparable use of State and private grazing lands.

Correspondence in 1959 and 1960 between Chairman Wayne Aspinall of the House Interior Committee, and the Departments of Agriculture and the Interior, led to agreement that a uniform approach to grazing fees was desirable and that a task force should be formed to undertake a joint study.

THE 1966 FEE STUDY

An interdepartmental grazing fee committee consisting of professional representatives of the Departments of Agriculture and the Interior, working with the Department of Defense, Bureau of the Budget, and Economic Research Service, made a detailed study of user charges for livestock grazing on all Federal lands. Through other studies, some of which were conducted by western universities and the Economic Research Service, the committee selected a set of procedures that would form the basis for a data collection survey. The study design was tested by Utah State University. The study would use appraisal procedures to establish grazing values. This is essentially the same approach used in establishing Federal timber and mineral values. The Bureau of the Budget approved the design. The study proposal was reviewed thoroughly with industry representatives and received their approval prior to implementation. They provided an economist to assist in the study design, including the selection of cost items to be inventoried. As a part of the study, it was agreed that transaction evidence regarding sales of permits would be gathered from financial institutions.

The Statistical Reporting Service of the Department of Agriculture conducted the survey for the Bureau of Land Management and Forest Service in 1966. It provided data needed to estimate grazing values on some 98 national forests, 19 national grasslands, and 48 Bureau of Land Management districts. Fact gathering included 17 Western States.

Costs of the study, survey, and analysis were about \$1 million. Some 10,000 individuals and 218 financial institutions were interviewed and more than 14,000 questionnaires were collected. These included Forest Service and the Bureau of Land Management grazing permittees and ranchers who are not permittees, but who lease private grazing lands. Grazing industry representatives were kept informed on the study as it proceeded.

SURVEY RESULTS

The cost data from the 3,828 Bureau of Land Management permittees and that portion of the private lessees associated with the Bureau of Land Management sample are attached to this statement. (The data referred to follows:)

SUMMARY OF COMBINED AVERAGE PUBLIC COSTS AND PRIVATE COSTS PER ANIMAL-UNIT-MONTH—1966

| Itemized cost | Cattle | | Sheep | |
|--|-----------------------|---------------|-----------------------|---------------|
| | Combined public costs | Private costs | Combined public costs | Private costs |
| 1. Lost animals | \$0.60 | \$0.37 | \$0.70 | \$0.65 |
| 2. Association | .08 | | .04 | |
| 3. Veterinary | .11 | .13 | .11 | .11 |
| 4. Moving livestock to and from allotments | .24 | .25 | .42 | .38 |
| 5. Herding | .46 | .19 | 1.33 | 1.16 |
| 6. Salting and feeding | .56 | .83 | .55 | .45 |
| 7. Travel to and from allotments | .32 | .25 | .49 | .43 |
| 8. Water | .08 | .06 | .15 | .16 |
| 9. Horse | .16 | .10 | .16 | .07 |
| 10. Fence maintenance | .24 | .25 | .09 | .15 |
| 11. Water maintenance | .19 | .15 | .11 | .09 |
| 12. Development depreciation | .11 | .03 | .09 | .09 |
| 13. Other costs | .13 | .14 | .29 | .22 |
| 14. Private lease rate | | 1.79 | | 1.77 |
| Total costs | 3.28 | 4.54 | 4.53 | 5.66 |
| Difference ² | 1.26 | | 1.13 | |
| Weighted average | | 1.23 | | |

¹ Developed from data analysis of the grazing fees technical committee—Nov. 29, 1968.

² These differences weighted by corresponding AUM's resulted in weighted average of \$1.23.

Note: The average permit value assigned by permittees for BLM grazing privileges was \$14.41 per animal-unit-month as determined by the survey.

Mr. RASMUSSEN. The difference between total private costs (\$4.65) and total public costs (\$3.34) was \$1.31. This represented a base fee for the Bureau of Land Management.

To check the analysis of the survey data at this point, the Arthur D. Little Co., Inc., a private management and consulting firm, made an independent analysis of the Bureau of Land Management and private lease data. Their report supported the findings.

The industry worked with the Bureau of Land Management in evaluation of the survey. Between March 1966 and January 1969, 21 meetings were held. Livestock industry representatives and others attended to discuss the survey and resulting data. For example, on August 25, 1967, a meeting of the special grazing fee committee of the National Advisory Board Council was held to discuss progress on the fee study. The major concern of the industry at that time was the fact that permit values had been excluded as a deductible cost in calculating Federal grazing fees. This point was unresolved in the opinion of the industry. Meetings with other groups interested in public lands were also held.

The General Accounting Office and the Bureau of the Budget were concerned with the patchwork fees charged by agencies. The data produced for both the Bureau of Land Management and Forest Service was analyzed to determine if the survey showed any statistical differences between the cost of using each agency's lands, and if there was a basis for a variable fee between and within the agencies. A technical committee on the analysis of grazing cost data, chaired by Mr. Earl

Houseman, Director of Standards and Research Division, Statistical Reporting Service, Department of Agriculture, performed the analysis. Other members were from the Economic Research Service, Bureau of Land Management, Forest Service and the Bureau of the Budget as ex officio member. The Committee concluded that there was no statistical support from the 1966 grazing survey for a different fee base for cattle and sheep, or for the Bureau of Land Management and Forest Service, or for variable fees within either agency. The result of combining Forest Service and Bureau of Land Management data was that the base fee for both agencies was \$1.23 rather than the \$1.31 indicated for the Bureau of Land Management only.

ESTABLISHING A NEW FEE

There is a difference of 90 cents per animal unit month for cattle and sheep between the existing Bureau of Land Management fee of 33 cents and the appraised fair market value of \$1.23. In order to allow an adjustment period for the livestock industry, a 10-year period was provided for reaching the full price, amounting to an increase of 9 cents per year. Federal receipts from grazing would be less than fair market value during this period. So would be the share of these receipts returned to the States and to grazing districts for range improvements.

In the past, the grazing fee has been adjusted annually according to changes in the average price of beef and lamb in the 11 Western States. Since the fee is now based on the fair market value of public forage, it would be adjusted annually by an index computed from the average rental rates paid by ranches for private forage in the 11 Western States. These rental rates are published annually in Farm Real Estate Market Developments, by the Economic Research Service, U.S. Department of Agriculture.

The new regulations for fees collected within the Bureau of Land Management districts provide that one-third of the fee be designated by the Department as a range improvement fee and two-thirds as the grazing fee. The range improvement fee, when appropriated by Congress, is used for range improvements which benefit the permittee; 12½ percent of the grazing fee is returned to the States to be spent for the benefit of the counties from which the fee was collected. The balance goes to the Treasury. The new regulations continue the previous allocation to range improvements.

PERMIT VALUE

Much of the current discussion about the new fee schedule has focused on whether the permit value should be considered in determining the base fee.

Public domain land grazing permits are transferable. The term "permit value" refers to the cost of acquiring the grazing privilege in a private transaction. It is a transaction between private individuals which does not involve the Federal Government. In other words, it is the price one rancher pays to another to acquire his grazing privilege. Only one-third of the Bureau of Land Management permits are held today by their original owner. The value of the permit has increased in price through the years.

The 1966 survey indicated that the average permit value paid in private transactions pertaining to Bureau of Land Management lands was \$14.41 per animal unit month. The livestock users ask that the annual interest cost of holding the permit be included as an operating cost in determining the fee. They ask that 6 percent of the permit value of \$14.41 or 86 cents per animal unit month be deducted from the fair market value of forage. The Department did not include this cost in setting the base fee. If it had been included, the base would be 37 cents per animal unit month rather than \$1.23. The study did include the cost to the rancher of range improvements placed on the public lands and his maintenance for them. Title to many of these improvements remains in the name of the rancher. Credit for these items has been included in calculating the \$1.23 base.

Giving the permittees credit for the interest on the permit value in computing fees would recognize that the permit gives the operator a proprietary interest in the public lands. This is clearly prohibited by the express provisions of sections 3 of the Taylor Grazing Act that—

*** So far as consistent with the purposes and provisions of this Act, grazing privileges recognized and acknowledged shall be adequately safeguarded, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in or to the lands.

Court decisions confirm the fact that the privilege of grazing on public lands cannot become a property right against the sovereign and is withdrawable at any time without payment of compensation.

The Interior Solicitor has stated that—

To base the fee on a credit which represents a return on the market value of a grazing permit as though it were an interest in land like a lease, is directly in conflict with section 3 of the Taylor Grazing Act since it would recognize what the law prohibits—a proprietary interest in the public grazing lands. The concept of permit value itself represent an appropriation by the holders of permits of a part of the public's equity in the public lands. In the case of privately owned lands, it is the owner of the land who is realizing the return on his ownership equity, as witnessed by the difference in grazing fees between privately owned and federally owned lands. To allow the permittees the credit on permit value they contend for would be to permit the permittees rather than the owner of the land, i.e., the public, to realize the return on the lands' value.

Public reaction to new grazing fee schedule—the proposed regulations announced on November 16, 1968, provided 45 days, rather than the normal 30, for comment. Nearly 1,400 letters regarding the fee issue were received. By numbers, about 60 percent supported the proposal. All of these thoughtful letters have been answered. In addition to letters from individuals, the Secretary received position statements from the major National and State conservation groups, State governments and petitions from many organizations.

The proposal was reviewed by the 54 local district advisory boards who in varying degrees were opposed to the new schedule. Following receipt of these recommendations, a special meeting of the special grazing fee subcommittee of the National Advisory Board Council was held, followed by a full National Advisory Board Council meeting.

After consideration of all the letters and recommendations, the Secretary adopted a final rulemaking on the matter on January 14, 1969. The final rulemaking was essentially as originally proposed.

The resulting fee structure is consistent with the requirements of section 3 of the Taylor Grazing Act, which states that permittees " * * * are entitled to participate in the use of the range, upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to users of the forage resources for livestock purposes." The fee is based on the value the Federal forage received by the public land rancher. Benefits accruing to other public land users are not included, nor are the costs of providing these benefits. In other words, the fees are based upon giving the rancher credit for his cost of using the land.

In reviewing the new grazing fee level, a comparison with private lease rates, commercial values, and other Federal agencies should be made. The Bureau of Land Management data from the 1966 survey indicates that the average private lease rate is \$1.82 per animal unit month. Bids for forage for the McGregor Military Range in New Mexico for the 1969 season varied between a low \$1.51 and a high of \$2.52 per animal unit month. One of the high bids was submitted by a Bureau of Land Management permittee. Other Federal agencies that use competitive bidding in allotting grazing use result in higher forage values than the \$1.23 base.

The regulations additionally provide that the base fee may be studied periodically to determine if adjustments should be made. Reviews would be undertaken concurrently of the impact of these changes on livestock industry stability, loaning arrangements, collateral values, and the private forage market.

The new regulations provide a means to aid the rancher with flexibility in paying fees. Where an allotment management plan has been approved by the rancher and the Bureau, the rancher may now elect to pay his fees at the end of the grazing season and pay for only the amount of grazing use actually made. This would help the rancher to make adjustments in his operation as climate and market conditions dictate and pay for only what he uses.

IMPACT ON USERS

A major concern in attaining fair market value for public land forage is that the resulting fee be consistent with the Taylor Grazing Act as to reasonableness and that it should aid in stabilizing the dependent livestock industry.

The impact of the increase will fall, in terms of total grazing fees, in direct proportion to the number of animal unit months grazed. The Bureau of Land Management has 14,419 grazing permittees in the districts. Fifty-two percent of all Bureau of Land Management forage is allotted to only 5 percent, or fewer than 700 ranchers. The majority of Bureau of Land Management permittees are located in the intermountain region. The typical family ranch operating on public domain in this area runs about 300 head and about 800 animal unit months. The new fee schedule would increase this operator's annual fee cost from \$264 to \$984 in 10 years.

On the average, the fee increase would have no effect on more than 25 percent of the Bureau of Land Management's permittees until about

1974. These small operators graze fewer than 100 animal unit months annually, and pay the \$10 minimum fee. Under the fee schedule, it would take about 6 years before they have any increase. For the average small operator, the full grazing bill at \$1.23 per animal unit month in 1979 would be about \$15, or a total increase of \$5.

Studies by the Economic Research Service and western universities indicate that at a 33 cents grazing fee, the grazing bill is about 2 percent of an average rancher's total operating costs. When the increase in fees reaches \$1.23, the grazing fee bill would be about 6 percent of total operating costs. Other studies indicate that a 1 cent per pound drop in livestock prices has as great an impact on ranch income as increasing grazing fees to \$1.23 per animal unit month.

CONCLUSION

The fee question has had public review. Litigation is now underway and legislation has been introduced on the subject.

A sustained attempt has been made to keep all concerned informed on the 1966 fee study and its results. The action subsequently taken on the fees reflects a reasoned solution based on a comprehensive study of the facts over a long period of review. The handling of the permit value remains as the central issue throughout.

Livestock grazing is an important use of the public lands in the Bureau of Land Management's programs and to the local communities concerned. A long-term resolution of the fee question would improve the financial aspects of the ranch economy, and strengthen and stabilize livestock use of the public lands.

As indicated by the Secretary's statement of February 18, the Department intends to keep the whole matter under review in the future, taking into account new information and new circumstances, including those developed in the course of judicial proceedings, congressional hearings, and recommendations of the Public Land Law Review Commission.

Thank you.

Senator CHURCH. Thank you very much, Boyd.

Mr. Secretary, in your brief initial statement, you say that the Department intends to keep this whole matter under review. You say this is not a closed book. You mention some litigation that is presently underway. You refer to the comprehensive studies of the Public Land Law Review Commission, which are still to be completed and submitted to the Congress. And you say that the initial increment in the new fee schedule raising the fee from 33 cents per AUM to 44 cents is generally conceded by the livestock industry to be reasonable, that the argument relates to the further increases that are contemplated in the 10-year schedule.

Under these circumstances, why would it not be wise to hold further increases in abeyance until we can have the benefit of the recommendations of the Public Land Law Review Commission and a further assessment of this general situation? Has the Department made any determination with respect to that at all, or is it the present intention of the Department to proceed with the scheduled increases over the 10-year period?

Mr. TRAIN. The schedule is in effect under the regulations that became final on January 14, and if nothing further were done by the

Secretary, either to modify, reverse or withdraw those regulations, the subsequent increases would automatically go into effect as scheduled in the January 14 regulations.

The issue before the Secretary when he took office, aside from a reexamination of the merits which I think we might all agree would have been very difficult within the period of time involved, was a question of whether to keep the matter under review as he has announced with the possibility of modifying later increases based upon further information, or as the chairman has suggested, to either rescind or so modify the regulations as issued so as to simply put the first increment into effect, and in effect freeze all subsequent increases pending some further affirmative action by the Secretary. And his decision was to follow the first course I described in the interests of following orderly procedure. These were regulations issued by the Department, made final after some 45 days of public consideration of proposed regulations which had been issued on November 16, and as had been described by Mr. Rasmussen, had been the subject of a great deal of public comment. It seemed to the Department that to leave the regulations in effect was the orderly course and that is what was done. But I again reemphasize what I said in my statement and what the Secretary said in his recent press release, that the matter will be kept under constant review in the future.

Senator CHURCH. I take it from that statement, that the record of these hearings will provide an important part of the basis for reassessment that will be undertaken by the Department in the months ahead, is that correct?

Mr. TRAIN. Absolutely, Mr. Chairman, and that is one reason why I said that we welcome these hearings.

Senator CHURCH. Well, I think that they can be very beneficial. We will hear from the livestock operators themselves who are in the best position to give us an accurate statement of their problems, and of the impact that this proposed schedule will have on their operations. I think this is very relevant to the determination of a fair and equitable schedule of fees.

In that connection, reference has been made again and again in the statement you presented, Mr. Rasmussen, of the "fair market value" as the standard you are reaching for. I am advised by members of the staff of the committee that the basis of the Bureau of the Budget 1959 circular, which in turn is the basis for the current grazing fee increase, is one title of several in the Executive and Independent Offices 1952 Appropriation Act. It does not set "fair market value" as the criterion. The title expresses the sense of Congress that fees shall be "fair and equitable, taking into consideration direct and indirect costs to the Government, value to the recipient, public policy or interests served."

I think this points up one thing that has been troubling us concerning the proposed fee increase, and that is that even though the livestock operator does not possess a proprietary interest in the permit he holds, still it has value and it is part of the cost of his operation.

It is true, as you have pointed out, that the Government, as owner of the land, receives no benefit from the fact that the permit has value and can be sold by one operator to another, so that, in a sense, this is an equity that passes from one operator to another even though the

underlying ownership of the land is in the Government. But by the same token, the cost is a very real cost, and if equity is to be done, according to the language of the law that I have cited you, then I should think that it is a necessary cost factor for consideration.

You have proceeded on the basis of determining a fair market value for the Government. The law that I have cited speaks of the sense of the Congress that fees shall be "fair and equitable, taking into consideration direct and indirect costs to the Government, value to the recipient, public policy or interests served."

That, it seems to me, is a very different criterion, a broader one, which takes into consideration those elements of equity which a strict interpretation of fair market value would not. What have you to say about that?

Mr. RASMUSSEN. I think Mr. Hughes, who follows, will be able to comment on the 1951 law and A-25. This in a sense, represents what we are talking about as fair market value, but the value of private forage to an operator is \$1.82, and from this are subtracted the various elements that make a difference in the use of the Federal lands to where you arrive at \$1.23 as a base for fair market value.

Senator CHURCH. True, but one of the elements subtracted is not the cost of the permit.

Mr. RASMUSSEN. This is correct.

Senator CHURCH. Well, although you can make and do make a perfectly logical argument in determining fair market value for the Government, I think that an equally forceful argument can be made that the standard set by the Congress is a different one, that fees shall be "fair and equitable" taking into consideration "direct and indirect costs" to the Government and "value to the recipient."

The "value to the recipient" is affected, is it not, by the cost that the recipient must pay for the permit?

Mr. RASMUSSEN. The value that the recipient pays for the permit is his evaluation of what it is worth to him to graze on the public lands, and this is a private transaction between two individuals.

Senator CHURCH. But it is also part of his costs, is it not?

Mr. RASMUSSEN. I am sure that it is part of his costs because it is a fact that permit values are purchased and sold by individuals.

Senator CHURCH. Yet, in determining the Government fee this factor has not been taken into consideration.

Mr. RASMUSSEN. That is correct. It was not included.

Senator CHURCH. It was not, although the Congress has directed that it should be taken into consideration. The "value to the recipient" is one of the things that should be taken into consideration, according to the congressional language. Why have you not done this?

Mr. RASMUSSEN. The Department believes that to recognize the annual interest on the permit value as a cost would be recognizing a proprietary interest in the Federal land, which is expressly prohibited by the Taylor Grazing Act.

Senator CHURCH. This is the only reason you have to give?

Mr. RASMUSSEN. Yes, at this time.

Senator CHURCH. Senator Anderson?

Senator ANDERSON. I think the first proposed rate was 10 cents an AUM. The first established rate was 5 cents an AUM according to strong demands.

Mr. RASMUSSEN. That is correct.

Senator ANDERSON. Anybody going broke at that time?

Mr. RASMUSSEN. I am not aware of grazing fees being the problem at that time.

Senator ANDERSON. In 1958 and 1959 the Comptroller General came out with his report. He based that on a long study, did he not? Did not the Comptroller General report the extent of his studies?

Mr. RASMUSSEN. Yes, he did.

Senator ANDERSON. And he found out it was not excessive?

Mr. RASMUSSEN. I would have to review that report, but I think that he recommended fair compensation and more uniform charges by different agencies.

Senator ANDERSON. From 1936 to 1946, over the 10-year period, at which the rate was 5 cents?

Mr. RASMUSSEN. From 1936 until 1946; yes.

Senator ANDERSON. Livestock conditions were pretty good at that time; were they not?

Mr. RASMUSSEN. I know they were, particularly during the later years.

Senator ANDERSON. In 1959 and 1960 your statement refers here to the fact of a uniform approach on the grazing fees, that the Comptroller General's report recommended a joint study be undertaken. Was there a task force organized in 1959 and 1960?

Mr. RASMUSSEN. It was in 1960.

Senator ANDERSON. It was during 1959 and 1960.

Mr. RASMUSSEN. Yes, sir.

Senator ANDERSON. That a study was made and that was by direction of Congress?

Mr. RASMUSSEN. In 1959 and 1960 we did have correspondence with Chairman Aspinall on this subject that led to a study.

Senator ANDERSON. And your statement says at the bottom of page 4:

* * * the committee selected a set of procedures that would form the basis for a data collection survey.

They carefully studied it at that time; did they not?

Mr. RASMUSSEN. Very carefully.

Senator ANDERSON. And gave a report which indicated the price was not too high. They recognized some higher; did they not?

Mr. RASMUSSEN. Are you referring to the study?

Senator ANDERSON. After 1959 and 1960, at the time they started making the study for Congress, a study was made and did not they report that the rates were not too high but might even be higher?

Mr. RASMUSSEN. That is correct.

Senator ANDERSON. The Statistical Reporting Service of the Department of Agriculture made a survey in 1966 and what did they find?

Mr. RASMUSSEN. The results of the survey are included in the last page of my statement, showing the costs of public grazing compared to private grazing.

Senator ANDERSON. You did not read the figures. You did not announce the figures at all. They are in your report. But they did find out that they were not overcharged but actually undercharged?

Mr. RASMUSSEN. They found out that the weighted average, fair market value, would be \$1.23 compared to the present fee of 33 cents for the public domain lands.

Senator ANDERSON. So all through the years, the stockmen have paid a third of what they should pay on the basis of that study.

Mr. RASMUSSEN. On the basis of that study it would indicate that they were paying about that.

Senator ANDERSON. Was the study expensive?

Mr. RASMUSSEN. The study was expensive.

Senator ANDERSON. Was it a million dollars or more?

Mr. RASMUSSEN. It cost about a million dollars.

Senator ANDERSON. After all the careful study and a million dollars of service, then somebody says it is too high. We now have reports that these are way too high, but there was a basis, then, for the study; was there not?

Mr. RASMUSSEN. There was a very factual basis.

Senator ANDERSON. The study found that the fees were not too high?

Mr. RASMUSSEN. Based on the 14,000 questionnaires, it found that the base fee should be \$1.23 per AUM.

Senator ANDERSON. The military has spent a great deal of money with the Arthur D. Little Co. on a series of studies. Were they called into the picture also?

Mr. RASMUSSEN. The military were a part of our study for a while.

Senator ANDERSON. Arthur D. Little Co.—

Mr. RASMUSSEN. Yes; they were. The Arthur D. Little Co. was asked to review the results of the 1966 survey and to make a determination of whether they were correct.

Senator ANDERSON. And they did not make the determination?

Mr. RASMUSSEN. They did.

Senator ANDERSON. What was the result?

Mr. RASMUSSEN. They reported to us that this was a factual study, the conclusions drawn were statistically correct.

Senator ANDERSON. Therefore, there is a long chain of reports back of it; is there not?

Mr. RASMUSSEN. There is a long chain of reports back of this.

Senator ANDERSON. It started in 1936, 1946, 1958, 1959, 1960, report after report, and all of them were on the same basis; were they not?

Mr. RASMUSSEN. They all questioned the low fees for grazing on the public domain lands.

Senator ANDERSON. I think many of us are well acquainted with these constant reports. I read a line or two this morning from Senator Bennett's statement about bankruptcy. Have you seen long lines of people trying to get bankruptcy proceedings on their livestock interests?

Mr. RASMUSSEN. I am not aware of that.

Senator ANDERSON. I am not, either.

I do not want to take the time, but I would like to go through all this report. Year after year this has been studied and many of us have read reports, but every time it is reviewed it gets the same answer. I am very happy that you have had the courage to say they have had the same answer.

Senator CHURCH. Thank you very much, Senator.

Senator Allott?

Senator ALLOTT. Mr. Chairman, you referred a few moments ago to some language, which was entirely accurate, relating to the 1952 Appropriations Act. I would like to ask unanimous consent—so that we are not accused of excerpting—that title V, Public Law 137, August 31, 1951, be included in the record in full. It is not a very long title.

Senator CHURCH. Without objection, that will be done.

(The document referred to follows:)

[Public Law 137, 82d Cong., first sess. ; ch. 376, H.R. 3880]

AN ACT Making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, corporations, agencies, and offices, for the fiscal year ending June 30, 1952, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Executive Office and sundry independent executive bureaus, boards, commissions, corporations, agencies, and offices, for the fiscal year ending June 30, 1952, namely:

* * * * *

TITLE V—FEES AND CHARGES

It is the sense of the Congress that any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration, or similar thing of value or utility performed, furnished, provided, granted, prepared, or issued by any Federal agency (including wholly owned Government corporations as defined in the Government Corporation Control Act of 1945) to or for any person (including groups, associations, organizations, partnerships, corporations, or businesses), except those engaged in the transaction of official business of the Government, shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation (which, in the case of agencies in the executive branch, shall be as uniform as practicable and subject to such policies as the President may prescribe) to prescribe therefor such fee, charge, or price, if any, as he shall determine, in case none exists, or redetermine, in case of an existing one, to be fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts, and any amount so determined or redetermined shall be collected and paid into the Treasury as miscellaneous receipts: *Provided*, That nothing contained in this title shall repeal or modify existing statutes prohibiting the collection, fixing the amount, or directing the disposition of any fee, charge or price: *Provided further*, That nothing contained in this title shall repeal or modify existing statutes prescribing bases for calculation of any fee, charge or price, but this proviso shall not restrict the redetermination or recalculation in accordance with the prescribed bases of the amount of any such fee, charge or price.

Senator ALLOTT. This is the one that says, as you described it, and I am excerpting now:

Prescribe therefor such fee, charge or price, if any, as he shall determine, in case none exists, or redetermine, in case of an existing one, to be fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts, and any amount so determined or redetermined shall be collected and paid into the Treasury as miscellaneous receipts.

Mr. Secretary, I am happy to welcome you here for the first time on a legislative and policy matter. We are happy to see you.

Mr. TRAIN. Thank you, Senator.

Senator ALLOTT. I would like to address two or three questions basically to Mr. Rasmussen. You are aware that ranchers have been spending in the cooperative range improvement program approximately one and three-tenths million dollars annually. I would like to ask you what effect you think this will have, this increase will have, upon these range improvement programs. They are of value; are they not?

Mr. RASMUSSEN. They are.
 Senator ALLOTT. All right.
 Now, what—

Mr. RASMUSSEN. They are of value, and they have been placed on the public land, in cooperation with the Bureau of Land Management. They are valuable assets to the public lands. This factor was recognized in computing and calculating the public costs to the operators.

For example, on the last page of my statement, the development depreciation, item 12, 13 cents per AUM for cattle and for sheep, 9 cents per AUM. So this was recognized and the improvements that are placed on the land by the permittee have been calculated as a part of the fee structure.

Whether the permittee will continue to place these improvements on the public land would remain to be seen.

Senator ALLOTT. Well, I think you have gotten to the point, exactly. If the permittee is to be treated simply as a lessee, in a leasing arrangement in which the objective is to achieve the highest possible lease money that can possibly be justified, then the quality of the forage is the problem of the lessor, the seller of the forage, while the lessee simply looks for the best and most forage for the money.

So why under these circumstances, then, should the lessee be concerned with the quality, or the upkeep, or the maintenance, or the retention, or the development of the forage? Here you have a cooperative arrangement. If you place the permittee in a situation where he is simply a lessee, like the lessee of a house or an apartment or something else, why should he be concerned with the maintenance and improvement of the quality?

Mr. RASMUSSEN. The lessee usually places improvements on the public land to facilitate the operation of his livestock operations. I would think that he would continue to place improvements on the land to facilitate the operation of his cattle or sheep business. And certainly, it is recognized by allowing the 11-cent development cost in calculating grazing fees that he would put some developments on the land in the future.

Senator ALLOTT. But, are you not, by taking the steps that we are taking under the present regulations, putting a depressant influence upon this? It seems to me that you are.

Mr. RASMUSSEN. To some extent we might be putting a depressant, but if it is good business to put improvements on the land to facilitate an operation at present, it is still good business to do that in the future.

In addition, a larger share of the range improvement funds are available for improvements on the land and these improvements directly benefit the permittees, too. Under our allotment management planning work we do agree with the permittee as to the logical management of a given piece of Federal land on interspersed private land. There is agreement as to the developments that will be placed on the land, both by the Government and the permittee.

Now, these are done to facilitate the best handling of the livestock on the land and to increase the forage production. So, I am really not sure this would result in fewer developments on the land.

Senator ALLOTT. I would like to divert for just a moment and ask you this question. It may have been asked—it has been referred to at least indirectly but I would like to ask you, you are aware, of course, of the Public Land Law Review Commission.

Mr. RASMUSSEN. Yes, sir.

Senator ALLOTT. You are aware it is composed—in addition to the public members—of six members of this committee, three from each party, the three ranking members of each party, and the same situation exists in the House of Representatives. In view of the fact that this Public Land Law Review Commission has been under operation for about 3 years, and in view of the fact that they are supposed to report next year, and in view of the fact that just such questions as this is one of the reasons, one of the many reasons the Public Land Law Review Commission was established, what precipitated the change in regulations at this time without respect to any of the findings that the Public Land Law Review Commission might suggest this year?

Mr. RASMUSSEN. First of all, the Secretary has stated that the Land Law Review Commission recommendations and implementation will certainly be considered as they progress. However, the Department in its testimony in other places, has stated that the business of the Department will proceed as usual under the existing laws until such time as there are changes to be made. And this is not a hastily developed matter. It has been a matter that has been under consideration since 1960, which is about 8 years.

Senator ALLOTT. Well, if it has been under consideration for 8 years, which is a long time, what harm would have developed if it were allowed to sit for another few months until the Public Land Law Review Commission—until we in this committee and six members of this committee are members of that Commission—what harm would have developed in the interim?

Mr. RASMUSSEN. Our study, 1966 study, has been presented to the Commission's staff. I am sure that they will use this as a background information. But the decision to proceed was made by the Department.

Senator ALLOTT. Well, that is very obvious. You are aware that the Department of Agriculture administers the National Wool Act. The objectives of the Wool Act for domestic production was established at 300 million pounds of shorn wool per year. This objective, according to the Wool Act, was established not only for the stability of the industry but also for national defense purposes. And you are also aware, I am sure, that essentially all of the wool produced in this country is processed and manufactured in this country.

Also you are aware, I am sure, of the fact that the cost-price squeeze has forced many sheepmen out of business. I call your attention to the fact that the sheep population has dropped from 33 million in 1960 to 22 million in 1968, which is a one-third reduction. Wool production has dropped from an average of 230 million pounds for the years 1961 through 1965 to an estimated 177 million pounds in 1968.

Now, in view of the cost-price squeeze which has afflicted the sheepmen—I am directing this particularly to that side of the question, and you do not have to be a resident of Western United States very long

to realize what has happened to the sheep rancher in the past few years—is it not reasonable to predict that the domestic wool production will decline at an accelerated rate under the steps you have taken?

Mr. RASMUSSEN. I would be unable to make an accurate prediction as to whether production of wool might or might not decrease.

Senator ALLOTT. Well, you surely would not expect it to increase.

Mr. RASMUSSEN. This would depend mainly upon the sheep operators themselves, since only a small percentage of the forage is on BLM land.

Senator ALLOTT. Well, it really does not depend upon the sheep operators. It depends on the external factors which either permit them to operate or not to operate.

I think the answers to my questions cannot be obtained from any economics books and I do not think they can be obtained from statistics in your Department. I think any person applying the rules of just ordinary commonsense to the situation could only come to the conclusion that the schedules which have been placed in effect will further depress the wool and sheep industry which has been under so many irascibles from so many areas, including imports.

As I understand the Secretary's action now, this matter is really at this point; that is, put into a deep freeze for further evaluation and further study. You have also indicated that the facts elicited at this hearing called by the chairman, will be seriously considered at that time; is this correct?

Mr. TRAIN. Senator, I did assure the chairman and the committee that the record of this hearing and other hearings would be given very thorough and careful consideration. However, I did not state that the schedule would be placed in a freeze.

Senator ALLOTT. No. I did.

Mr. TRAIN. I explained—

Senator ALLOTT. Is not that really the effect of it, that the whole thing is going to be reevaluated, with the effects of this hearing, the effects of other hearings, and the study—restudy of the entire matter?

Mr. TRAIN. If that were the fact, Senator, then if nothing were done by the Secretary, no further increases would take effect under the existing schedule. The schedule was promulgated on January 14 and it calls for successive increases over a period of 10 years, and the Secretary has announced that he will keep this matter and the Department will keep this matter under careful review, but if he did nothing as a result of his review, presumably these successive increment increases would take effect. He has not changed the regulations or modified the regulations issued on January 14.

If I might respond to a question which you addressed earlier to Mr. Rasmussen, as to what precipitated the Department's action on January 14, I would say, speaking for the Department now, that we have no idea why the matter was decided on January 14 as a matter of timing. This is not within our knowledge.

Senator ALLOTT. And—

Mr. TRAIN. We are confronted with the fact of the new regulations being issued on January 14.

Senator ALLOTT. This was before you were a member of the administration.

Mr. TRAIN. Yes, sir.

Senator ALLOTT. That is all I have, Mr. Chairman.

Senator CHURCH. Thank you very much, Senator.

Senator Bible?

Senator BIBLE. Thank you very much, Mr. Chairman.

Pursuing the line of questioning of Senator Allott, Mr. Secretary, I think I will direct this primarily to you, you testified that the regulation came down on January 14. On January 15 we had a hearing on the confirmation of Secretary Hickel which evoked considerable interest in many areas and went on for several days.

On that particular day I specifically asked the Secretary, the then Governor of Alaska, as to his position on this grazing fee matter. He specifically said: "I think we should wait for the Public Land Law Review Commission."

Now, notwithstanding that assurance, he thereafter carried forth with the proposed fee increase for this year, taking it from 33 to 44 cents and then taking it to a \$1.23 over a 10-year period.

Do you have any comment on why this action was taken this way? This is kind of in line with Senator Allott's questioning of why the precipitous action.

You were aware and certainly the Secretary of the Interior was aware that the Public Land Law Review Commission was going into this very thoroughly. Notwithstanding that, you went ahead and acted anyway.

Mr. TRAIN. AS I understood Senator Allott's statement, it referred to the issuance of regulations on January 14. That was the action which he described as precipitous. There was no affirmative action taken by Secretary Hickel to promulgate the schedule or to modify it in any way.

With respect to his statement concerning the Public Land Law Review Commission, he has given assurance through his statement of February 18, as I have also given this committee assurance that any reports and information developed by the Public Land Law Review Commission would be given very thorough and careful consideration and evaluation as part of the Secretary's continuing review of this matter.

Senator BIBLE. I think that is a rather obvious answer, one that you should make, but nevertheless, he went ahead and acted before either the Public Land Law Review Commission had made their recommendations and if I am correctly informed, and I believe I am, the study on this matter by the University of Idaho is to be completed by the end of April.

We are having a meeting in June of this year to make at least a tentative recommendation on this whole grazing fee problem. I realize it has been studied and restudied but I was just wondering why, notwithstanding the knowledge that both the Public Land Law Review Commission and the committees of the Congress were about to go into this, he moved forward in any event.

Mr. TRAIN. He took no action as such in the sense of promulgating a schedule.

Senator BIBLE. I know, but he did not disavow it when he became the Secretary of the Interior, whatever day he was sworn in, did he?

Mr. TRAIN. He did what, sir?

Senator BIBLE. He did nothing in the nature of disavowing it, January 23, 24, or 25, whatever it was.

Mr. TRAIN. That is correct, sir. He did not withdraw or reverse. I do not know what the legal—

Senator BIBLE. Whatever term it is. We are saying the same thing.

Mr. TRAIN. The regulations which had been issued on January 14; no, sir, he did not.

Senator BIBLE. OK. Now, you have before you in your Department, and you are the very able Under Secretary of that Department, a bill from Senator McGee that I think has great merit, which was introduced on January 28. When can this committee expect the reports on that bill?

Mr. TRAIN. The Department is presently reviewing this bill and exactly what the status of the review is at this time I do not know, Senator.

Senator BIBLE. Are we talking about 30 days, 60 days? Maybe the Director of the Bureau of Land Management could speak to it. Where is—

Mr. TRAIN. As I understand the process of departmental reports on bills, it is not simply a departmental matter but also requires clearance by the Bureau of the Budget.

Senator BIBLE. Yes. We find that out many times.

Mr. TRAIN. So that I think I would be not in a position, Senator, to give you any answer that you could rely on.

Senator BIBLE. When will your Department be done with it? We will ask the Bureau of the Budget when they will be done. When will you be done?

Mr. TRAIN. I would think that the Department is framing its position on Senator McGee's bill and other bills of a similar nature—

Senator BIBLE. Yes. Senator Montoya's bill.

Mr. TRAIN. I would believe that the Department would wish to have the record of this committee and other hearings before it for careful consideration in assisting it to arrive at its position.

Senator BIBLE. Does that mean you are going to wait until some time in July or August until you get the, at least the tentative report of the Public Land Law Review Commission?

Mr. TRAIN. I am not sure what the date of that is, Senator.

Senator BIBLE. My information is we are going to have an Advisory Board meeting on it on June 6, 1969, on this whole grazing fee problem within the Public Land Law Review Commission.

Mr. TRAIN. I understand that the actual report of the Commission itself would be by law received June 30, 1970.

Senator BIBLE. That is the D-day. That is the D-day for it. Are you saying they are going to wait until June 30, 1970, before they report on these bills?

Mr. TRAIN. No, sir. What I am trying to indicate is I do not believe we can be certain exactly when we would have a report by the Public Land Law Review Commission, which would provide the basis for action by the Department.

Senator BIBLE. I understand, but then as I understood your answer—and if I am incorrect, tell me so—you would not be in a position to come up with a report until you had heard of the action of the two congressional committees and of the action of the Public Land Law Review Commission.

Now, if that is true, Senator McGee and Senator Montoya will have to wait, if you are waiting for D-day when we receive the final report of the Public Land Law Review Commission, you are talking about June 30, 1970. Do I understand you correctly?

Mr. TRAIN. Senator, I will assure you that we will not feel we will have to wait until June 30, 1970, to report on these bills.

Senator CHURCH. Senator, may I say I know of a way to expedite action.

Senator BIBLE. Setting a hearing.

Senator CHURCH. Setting a hearing. I think that would precipitate a decision and get a recommendation up here——

Mr. TRAIN. As I understand, no hearing date has been set as yet.

Senator CHURCH. That is right.

Senator BIBLE. I would hope that could be expedited because it is all interwoven.

That is all, Mr. Secretary. I wish you well in these arduous days ahead for you.

Mr. TRAIN. Thank you, Senator.

Senator BIBLE. I understood Mr. Rasmussen to say that the final decision as to the promulgation of these regulations had been by the Department. Which Department?

Mr. RASMUSSEN. The Department of the Interior on the BLM—I mean, the Department regulations covering public domain.

Senator BIBLE. And by the Department of Agriculture on Forest Service?

Mr. RASMUSSEN. Yes, sir.

Senator BIBLE. And with the overriding hand of the Budget Bureau.

Mr. RASMUSSEN. Yes.

Senator BIBLE. Very well.

Now, Boyd, how final is the 44-cent fee for the AUM's for this year 1969? Is that completely final as of this moment?

Mr. RASMUSSEN. As of this moment the billings have been issued and it is in effect.

Senator BIBLE. The users have been billed for their additional—not for their additional but for their total 44 cents for this year 1969?

Mr. RASMUSSEN. Yes, they have.

Senator BIBLE. When did those billings go forward?

Mr. RASMUSSEN. The bulk of them in the past 10 days.

Senator BIBLE. Within the past 10 days. Now, how long have you been in the Bureau of Land Management?

Mr. RASMUSSEN. Since July 31, 1966.

Senator BIBLE. And prior to that you were with Forest Service, is this true?

Mr. RASMUSSEN. I worked for the Forest Service for 31 years.

Senator BIBLE. How many people in the Bureau of Land Management were employed back at the time of the enactment, shortly after the enactment of the Taylor Grazing Act in 1936?

Mr. RASMUSSEN. Senator, I would have to supply that for the record.

Senator BIBLE. Well, I would like to have you do it for 1936, I would like to have you do it for 1946.

How many are you now employing in the Bureau of Land Management, today? Here and in the field?

Mr. RASMUSSEN. I think there are about 3,900 people.

Senator BIBLE. About 3,900. Are you administering any more in the way of grazing lands now than you were 10 years ago or 20 years ago?

Mr. RASMUSSEN. A table will be supplied for the record. However, all of the people are not working on grazing matters.

Senator BIBLE. Give me a figure as to those who are directly related to grazing matters if that can be broken down?

Mr. RASMUSSEN. I would have to supply that.

Senator BIBLE. Supply it for the record.

(The information requested is as follows:)

BUREAU OF LAND MANAGEMENT PERSONNEL EMPLOYED IN GRAZING ADMINISTRATION IN 1936, 1945, AND 1968
AND ACREAGE ADMINISTERED

| Year | Grazing administration (man-years) | Acreage within grazing districts | Total acres administered |
|-------------------------|--|--|-----------------------------|
| 1936 ¹ | 54.6 | ² 79,805,186 | 164,433,362 |
| 1945 ³ | 326.7 | ⁴ 132,638,435 | 180,353,766 |
| 1968..... | 384.0 | ⁵ 158,484,030 | 175,544,470 |

¹ Division of Grazing—a predecessor to the Bureau of Land Management. Reliable data on Federal land holdings no available in any detail until the 1950's.

² 80,000,000-acre limitation in Taylor Grazing Act of 1934.

³ Grazing Service—a predecessor to the Bureau of Land Management.

⁴ Acreage limitation increased to 140,000,000 acres by act of June 26, 1936, Public No. 827.

⁵ No acreage limitation in effect.

Senator BIBLE. I am very much interested in two statements that you make. On page 9 you say, "The value of the permit has increased in price through the years."

I assume everyone is in complete agreement with this. The value of the permit has increased in price through the years. This is your language on page 9, is that correct? You, the operators, and all concerned with this problem are in agreement that the value of the permit has increased in price through the years. And then, you proceed to break down and give values to the permit if it was permissible. You take the point it is not permissible. I do not know that you are right. I never have thought that you were right on this particular problem.

Now—and I shall hurry along because others want to ask you some questions before we recess at 12:30.

On page 14, on the impact on users, you say:

The typical family ranch operating on public domain in this area runs about 300 head and about 800 animal units months. The new fee schedule would increase this operator's annual fee cost from \$264 to \$984 in 10 years.

Does that mean that it is increasing \$720 over the total of the 10 years? You might look at page 14. It is in the last sentence of the first paragraph of the page.

Mr. RASMUSSEN. Page what?

Senator BIBLE. Page 14. The sentence is a short one. "The new fee schedule would increase this operator's annual fee cost from \$264 to \$984", and then you add, "in 10 years."

Mr. RASMUSSEN. Correct.

Senator BIBLE. What would it be in the first year? Would it be graduated as you propose in the schedule?

Mr. RASMUSSEN. The first year it will increase 11 cents.

Senator BIBLE. I understand but I was thinking of the total figures in dollars. To the typical family ranch that runs 300 head and had—

Mr. RASMUSSEN. It would be equal increments over the 10-year period.

Senator BIBLE. But the \$264 to \$984 does not occur until the 10th year.

Mr. RASMUSSEN. Correct.

Senator BIBLE. Are the operators themselves in agreement with your figures on this particular statement? Do you know?

Mr. RASMUSSEN. No; I do not know whether they are.

Senator BIBLE. You could ask them. And then your next paragraph:

For the average small operator—

And those are the ones that have fewer than 100 animal unit months annually and pay a \$10 minimum fee, you say—

the full grazing bill of \$1.23 per animal unit month in 1979 would be \$15.

Now, are they agreed—do they agree with your arithmetic in that?

Mr. RASMUSSEN. I do not know whether they agree with my arithmetic or not.

Senator BIBLE. We will ask them because it seems to me that one of the problems here where you come into direct confrontation is that you say this has not great impact on the livestock industry of the West. They say that in many cases it will be ruinous and put them out of business. They are going to testify to that. But I was just interested in how you arrived at those figures.

I do not want to labor longer on this.

Thank you very much.

Senator CHURCH. Thank you, Senator Bible.

Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

First of all, Mr. Secretary, I should like to welcome you before the committee. I know we had a discussion about this hearing last Saturday in the Public Land Law Review Commission, where a statement was made that very rarely has the Congress exercised its right of oversight over the actions of the executive branch. At that point I invited all who were present and interested to come to this meeting today because this is truly an exercise of the oversight prerogative of the Congress over the actions of some branches of the executive branch.

I am glad to see my old friend, Boyd Rasmussen, here. Back through the years I have known Boyd Rasmussen since his days in the national forest when I was a permittee and not only permittee on public land but when I leased substantial private land as well. So, I speak somewhat from the voice of experience. It is good to have you here, Boyd.

One question I would put to you, Boyd, is this. When you published the original notice in the Federal Register on January 14, you left out a very important part of the regulation because you thought it was necessary, someone did in your shop, to amend this order at a later date, on January 17, and you put in this language:

The resulting fee formula charges the permittees only for the value of the public forage grazing after taking into account the extent to which public benefits are yielded over and above those accruing to the users of the forage resources for livestock purposes.

Now, this was left out of your original order which leads me to question whether this was taken into account when you calculated the increases that you have promulgated?

Mr. RASMUSSEN. Senator Jordan, this was left off one of the copies transmitted to the Federal Register.

I am unable to explain why this happened but the Federal Register agreed it was a mistake in handling and printing and that the original certificate that was filed had the complete sentence that you read in it.

Senator JORDAN. Then you are saying that this language was taken into account when the new scheduled rates were fixed.

Mr. RASMUSSEN. Yes.

Senator JORDAN. This new schedule, I do not mind telling you, gentlemen, Mr. Secretary, and Mr. Director, comes as a real shock to my State. Sixty-four percent of the area of the State of Idaho is federally owned. In the 16 years since I was Governor of the State, the population has increased 4 percent. We are largely in agrarian economy. We are dependent on the uses of these public lands to supplement the private holdings in the State.

It might be interesting, too, to say in that 16 years, while the population of the State of Idaho was increasing 4 percent, the general fund budget was increasing 400 percent, mind you, 4 percent for the population increase, 400 percent for the general budget increase. It would indicate very genuinely, I think, that we have some real problems in these States that are so widely owned by the Federal Government.

Sometimes I think it is important that we go back and look at the original act that set us up in business here because as I say, I have operated under it myself and I think it is being misread. I think it is being misinterpreted by what you are trying to do with this rate increase, and I go back to the original act, the Taylor Grazing Act of June 28, 1934, as amended, and known as the Taylor Grazing Act. It was designed "to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize"—listen to this—"stabilize the livestock industry dependent upon the public range, and for other purposes."

Section 3 of the act says:

The Secretary of the Interior is authorized to issue or cause to be issued permits to graze livestock on such grazing districts to such bonafide settlers, residents and other stockowners as under his rules and regulations are entitled to participate in the use of the range, upon the payment annually of reasonable fees—

Reasonable fees, Mr. Secretary—

of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes.

I do not see anything in here that you are going to base the rates on what the cost of forage would be on private land because we are talking about two altogether different things here; are we not? Are we not talking about different things altogether?

Mr. RASMUSSEN. How different?

Senator JORDAN. All right. Let me tell you how different. I have rented pastures from the private lands. If I am bothered by fishermen, if I am bothered by hunters, by rock hounds, prospectors, campers, if I am bothered by people trespassing upon this land, I lock the gate. And yet, when I am a permittee on the public lands, I am a second-class type of user. I am subrogated to all of those other public uses. And we want it that way. I do not want it any different. But the prospector and the fisherman and the hunter and all of those people who use public domain do it as a first right over and above that grazer on the public domain. Is that not true?

Mr. RASMUSSEN. The grazer has a right to graze on the public land. The other folks also have a right to use the public land.

Senator JORDAN. Yes.

Mr. RASMUSSEN. When you rent or lease a private pasture, you generally pay more for it.

Senator JORDAN. Well, that is just exactly my point. It is worth more. It is worth substantially more. This livestock man is interested in the gain he puts on and the cost of the gain. It is all relative.

Mr. RASMUSSEN. Certainly, Senator.

Senator JORDAN. It is all relative.

Mr. RASMUSSEN. And the study showed that the private land grazing fees on an average were a \$1.82 and that on the public domain lands they should be \$1.23. And these items were taken into account in the differences in costs of operating between the private land grazing and the public land grazing.

Senator JORDAN. All right. Let me ask you this: Do the people who use the watersheds of the public domain to capture the water, who put it through the turbines to turn the generator, do they pay any watershed management fee or any fee for the use of that water that comes from the public land?

Mr. RASMUSSEN. Not from the public domain.

Senator JORDAN. Does the hunter or fisherman or rock hound or anyone who enjoys this privilege of use of the public lands pay a direct fee for the use of those lands?

Mr. RASMUSSEN. No; he does not pay a direct fee to BLM.

Senator JORDAN. These are the things that I think you have minimized when you talk about comparing it to the cost of private leases. Now, we can take good pastures, and I have done it time and time again, and put 2 pounds a day on a steer in a private pasture. Sometimes we are lucky to put 2 pounds in a month on a steer on the public domain. You are not talking about equals here at all. You are just not talking about equals.

Now, I think you are doing a great disservice to the industry. I cannot understand why you have been all wrong back through these 30-odd years and suddenly it has got to be elevated 300 percent. I cannot understand what has transpired here to change this thing from the status under which we have operated to the status you have proposed today. Can you elicit a little bit on that?

Mr. RASMUSSEN. Senator, through the years times have also changed and there are more people in this country. There are more people who are using these lands, too.

The study was very carefully made indicating all of the costs that the livestock operator encountered in grazing on the public domain

lands and the national forest lands. It did not show a significant variance between areas because of the forage type—the statistics did not—but it did take into account the various costs to the ranchers, and it arrived at a \$1.23 as a fair market value.

Now, the principal issue has been as to whether the interest on the permit value should be allowed in computing the grazing fees.

Senator JORDAN. That is another subject entirely. Stay on the one I have raised here, on the question: Is this permittee on the public lands a second-class user?

Mr. RASMUSSEN. I do not think that he is a second-class user.

Senator JORDAN. Well, if the permittee finds that the only watering hole on his range is surrounded by campers and the dogs are there and they are enjoying it, which they should—I am not denying that that has a higher priority in its use—and these cattle come to water and they do not get water there, is he not a second-class user?

Mr. RASMUSSEN. Well, if this were generally true, it would appear that he is.

Senator JORDAN. Well, it is generally true and it is getting more generally true. I think he pays for what he gets and I think he pays substantially and handsomely for what he gets.

Mr. RASMUSSEN. Much of the conflicting recreation on the public domain grazing lands is in the form of hunting and some fishing. If it is fishing, I do not think we have a water problem. If it is hunters or campers, we may have a water problem at certain times of the year. But through the years there have been water developments made by both the permittee and the Government.

Now, the permittee has a certain privilege to graze on the public land and he has been exercising it for many years.

Senator JORDAN. But they are junior to all other public uses; are they not?

Mr. RASMUSSEN. I would not say that they are junior. They are a part of the multiple use of these lands.

Senator JORDAN. Could I evict a prospector from my grazing allotment?

Mr. RASMUSSEN. No; you cannot evict a prospector.

Senator JORDAN. Could I evict a camper from my grazing allotment?

Mr. RASMUSSEN. If there were areas that were posted for no camping, you could. What I was alluding to is that in some cases where the recreation use seriously interferes with the stock, we have closed certain areas to camping to avoid the interference with the stock.

Senator JORDAN. I have been around quite a while and I have never known that to happen. Will you give me an instance where that was done?

Mr. RASMUSSEN. We have one up in Wyoming that I visited not long ago.

Senator JORDAN. Where you forbade the public to use a certain area because they were interfering with livestock grazing?

Mr. RASMUSSEN. An area was closed to camping where they were interfering.

Senator CHURCH. That may become the subject matter of another hearing, Senator.

Senator JORDAN. Yes. I would protest that.

Mr. RASMUSSEN. There were some recreationists who spoke, too.

Senator JORDAN. Yes. I would be with them. I would be protesting that. Do you want to add something, Mr. Secretary?

Mr. TRAIN. I was just curious as to when this action was taken.

Senator JORDAN. I would like to know, too.

Mr. RASMUSSEN. Well, it was last summer when I visited the area.

Senator JORDAN. And on what did you base your order?

Mr. RASMUSSEN. There was agreement with the rancher that on this particular watering place that was very vital to his operation, that we would restrict camping there, and we did.

Senator JORDAN. You did. Will you supply that order for the record?

Mr. RASMUSSEN. I will supply the details for the record.

Senator JORDAN. I wish you would. If it is in the nature of a written document, I wish we could have it. As the chairman says, this should be the subject of another hearing.

(The information requested is as follows:)

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
OFFICE OF THE DIRECTOR,
Washington, D.C., March 11, 1969.

HON. FRANK CHURCH,
Chairman, Subcommittee on Public Lands, Interior and Insular Affairs Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH: At the hearing regarding grazing fees on public lands February 27, 1969, held by the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, Senator Len Jordan of Idaho expressed interest in an area in Wyoming to which I referred that had been closed to camping to avoid interference with livestock. I indicated details would be supplied for the record.

The Bureau cooperates with the Wyoming Fish and Game Commission and the private landowners in a recreation access program in Wyoming called S-60 under a written Recreation Land Use Agreement. The program, chiefly used in the Rawlins area, provides for keeping large areas of intermixed public and private lands open to recreational use including hunting and fishing. The agreements, renewable annually, allow land users to post certain strategic areas as closed to public use. These include buildings and holding pastures.

The case I referred to at the hearing involves the Bar X Ranch range allotment. It is located along the Sweetwater River in southwest Wyoming. About six miles of key river frontage and pastures along the river are owned by Mr. Leonard Hay. These are choice fishing and hunting lands. There is a small amount of State land included. The rest of the allotment is public domain. Portions of the Old Oregon Trail and the South Pass Monument are included in the allotment area. The range area, located at an elevation of about 7200 feet, contains deer, elk, antelope and sage grouse as well as trout fishing in the river. Hunting, fishing and viewing the historical features are encouraged by Mr. Hay. However, Mr. Hay does not wish to allow camping along the river because it has interfered with livestock use. The public can park vehicles along the highway right-of-way next to the river and also use a highway picnic facility about one-fourth mile away from the river.

The Bureau has entered into a cooperative agreement with Mr. Hay under the S-60 program whereby all of the private lands along the river are kept open to public recreational use for hunting, hiking and fishing. But by sign posting, camping and picnicking on some river frontage lands particularly critical for livestock water are not permitted.

The Bureau is presently negotiating an exchange of use with Mr. Hay whereby an area of private lands near the highway and river might be developed experimentally for camping and picnicking. The cooperation of Mr. Hay in these programs has been outstanding.

Sincerely yours,

BOYD L. RASMUSSEN,
Director.

Senator JORDAN. You talk about perhaps selling this range to the highest bidder. What is this fellow going to do with commensurate base property and 300 head of cattle and some Johnny-come-lately comes along and outbids him for that year's grazing? Then he moves along or goes broke or something. What is this fellow going to do in the meantime?

Mr. RASMUSSEN. I did not realize that we were going to charge under a competitive bid system.

Senator JORDAN. Well, let me read from the order which was promulgated here. This is identified as the Bureau of Land Management Grazing Fee Analysis, November 1968:

In the past, the grazing fee has been adjusted annually according to changes in the average price of beef and lamb in the 11 western states. The fee study was based on the fair market value of forage. We propose that beginning in 1969 the grazing fee be adjusted annually by an index computed from the average rental paid by ranchers for private forage in the 11 western states. These rental rates are published annually in the farm real estate market development by the Economic Research Service. Adjustment in the grazing fee would be in relation to increase or decrease in rates for the calendar year immediately preceding the new grazing year.

But I have not found yet the reference that I was looking for that said, lacking the competitive bidding, you had to go to what the values were on private leases. Some other place in your statement you have that language. Have you ever thought of going to competitive bidding for leaseholds?

Mr. RASMUSSEN. I believe this has been discussed.

Senator JORDAN. Do you want to discuss it now? My assistant has brought me what I was looking for, "Economic Value." On page 4 of your statement, Boyd:

Economic value should be set by appraisal or competitive bidding. Where competitive bidding is not feasible, the appraisal should take into consideration comparability with fees established for comparable use of State and private grazing lands.

This frightens all of us in the range States. Are you thinking seriously about going to competitive bidding?

Mr. RASMUSSEN. No.

Mr. TRAIN. Senator, could I interrupt at this point? There is no consideration being given in the Department at this time to any system of competitive bidding.

Senator JORDAN. I am glad to hear it. Why is it in this statement?

Mr. RASMUSSEN. If you will read the preceding sentence it says that the quote is an interpretation of Circular A-25 and the Natural Resource User Charge Study. This is the thrust of the directives. But we do not have under consideration a competitive bidding program.

Senator JORDAN. All right. I want to stress, as my colleagues have before me, the real importance of the work we are trying to do in this Public Land Law Review Commission. You cannot imagine the man hours that we devote to this. It is taking every weekend for those of us who are on the committee, 1 month out of the year from here on, and we feel, I feel personally—I am not going to speak for the other members of the committee that serve on the Public Land Law Review Commission—but I consider it an affront when you come up here with a rate that raises these grazing fees 300 percent right on

the eve of our studies and our report on this very important subject matter.

Thank you.

Senator CHURCH. Thank you, Senator.

Senator METCALF?

Senator METCALF. Mr. Chairman, again I am going to try to be as brief as possible.

As I understand it, the Taylor Grazing Act, part of which was read by the junior Senator from Idaho, the primary purpose was to stabilize the grazing industry.

Now, under the provisions of the Taylor Grazing Act you could not have competitive bidding; is that not true?

Mr. RASMUSSEN. We have never had a legal opinion on it, but it always has been unacceptable.

Senator METCALF. I certainly am in favor of preserving that concept of not having competitive bidding under the Taylor Grazing Act because it seems to me that in our areas, where you have these base properties, you have to have a stabilization, a realization that year after year, if you meet a reasonable grazing fee, you will have an opportunity to continue your farming operations and will not have to bid against someone else. On the other hand, I am in accord with you that comparable values that are determined by competitive bidding should be considered in establishment of reasonable fees.

Now, you say in your statement:

One-third of the Bureau of Land Management permits are held today by their original owner.

How much did they pay? How much permit value do they have?

Mr. RASMUSSEN. They paid nothing for their permit.

Senator METCALF. And so if that original owner sells his land and includes as part of the sale a permit value which you say increased in price through the years, he gets a windfall.

Mr. RASMUSSEN. He does realize an appreciation on the permit.

Senator METCALF. On the permit value, for which he has not paid anything from its inception.

Mr. RASMUSSEN. No. He did not pay anything at its inception.

Senator METCALF. It is the man who has purchased from the original permittee who has had to pay an additional amount of money for the permit as a permit value.

Mr. RASMUSSEN. This is correct. The same applies if the permit is further resold.

Senator METCALF. And to some of us that additional amount of money he paid was for the stability of his operation under the Taylor Grazing Act rather than as a subsidy for a cheaper grazing fee than he would pay otherwise. I am persuaded by some of the things that the chairman of the subcommittee has said that maybe we are not after fair market value, and we have to consider the permit value. We have to consider it because it gives a stability to operations under our regulations and grazing fee and it has a value there in addition to the value it has as cheaper grazing, is that not true?

Mr. RASMUSSEN. This is true.

Senator METCALF. And that value accrues both to the man who purchased the land and paid an additional amount of money for the value and to these third owners who paid nothing and still enjoy the

benefits of those permits. I do not want to elaborate on this. I am going into this with other witnesses.

Thank you, Mr. Chairman.

Senator CHURCH. Very well. I am about to have the committee mutiny on me because they are all so hungry. It is quarter of one. I had hoped to complete the testimony by 12:30, but we still have Senators who have questions. For that reason may we ask you gentlemen to come back at 2 o'clock and we will complete the questions, and then proceed to the other witnesses.

(Whereupon, at 12:45 p.m., the hearing was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

Senator CHURCH. Secretary Train will be unable to be with us this afternoon. He explained to me this morning at the time we recessed, that he had another commitment but that he stood ready to testify further, if the committee wishes, or to respond further to committee questions. I don't know that this will be necessary. We have Mr. Rasmussen back this afternoon. I think we had just reached you, Senator Hansen, when we recessed. So why don't you now proceed with your questions.

STATEMENT OF BOYD RASMUSSEN, DIRECTOR, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR, ACCOMPANIED BY GEORGE TURCOTT, DEPUTY ASSISTANT DIRECTOR FOR RENEWABLE RESOURCES, BUREAU OF LAND MANAGEMENT— Resumed

Senator HANSEN. Thank you very much, Mr. Chairman.

If I understood correctly this morning, I believe that Senator Anderson was asking about the fees as they were first imposed. I understood he asked you if they did not start out at 10 cents an acre in 1936.

Just for the benefit of the record, I know you would want to have it reflected that the question was 10 cents per AUM and not per acre. I am right about that, am I not?

Mr. RASMUSSEN. This is correct, and the first proposal was 10 cents, but the fee eventually ended up at 5 cents per AUM.

Senator HANSEN. I am aware of that.

When you were being interrogated this morning, you were asked if it is true, on the basis of studies, that stockmen have been paying only about a third of what they should pay.

What was your response to that question, if you recall it?

Mr. RASMUSSEN. My response was that according to the study, they were paying 33 cents versus \$1.23.

Senator HANSEN. In your prepared statement this morning, Mr. Rasmussen, you referred to the Taylor Grazing Act and, if I might, just let me read the purposes of the act as they are set out:

To stop injury—an act to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range, and for other purposes.

Do you subscribe to those purposes as were enunciated in the Taylor Grazing Act?

Mr. RASMUSSEN. Yes.

Senator HANSEN. We had some conversations this morning on title V, Public Lands Law (59 Stat. 597, 31 U.S.C. 841), in which it is said:

The head of each federal agencies authorized by regulation which in the case of agencies in the Executive Branch shall be as uniform as practicable and subject to such policies as the President may prescribe, to prescribe therefor such fee, charge or price, if any, as he shall determine if no case exists or redetermine in case of an existing one to be fair and equitable, taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interests served, and other pertinent facts, and any amount so determined or redetermined shall be collected and paid into the Treasury as miscellaneous receipts.

Bearing in mind these two references I have just made, is it your feeling that the implementation of the increases as were promulgated by the Secretary and announced in the Federal Register conform with the directives of the Congress in these two instances?

Mr. RASMUSSEN. Yes; I believe they do.

Senator HANSEN. Do you believe that the well-being of a ranch operation financially is an important consideration in the establishment of a fee?

Mr. RASMUSSEN. Certainly, it is.

Senator HANSEN. On page 14 of your statement you say, and I read:

The majority of Bureau of Land Management permittees are located in the Intermountain Region. The typical family ranch operating on public domain in this area runs about 300 head at about 800 animal unit months.

Do you know how much net income the average, typical as you describe him, rancher with 300 head running some 800 animal unit months on public range nets per year?

Mr. RASMUSSEN. No; I do not.

Senator HANSEN. Would you be interested in knowing?

Mr. RASMUSSEN. Surely.

Senator HANSEN. There have been a number of studies made by any number of people, including some by university people. It is my understanding, if I recall correctly, that several years ago, not fewer than 250 head of cattle were considered to be the very least number that a rancher could operate and have a satisfactory unit. If he had fewer than that he just wouldn't be able to make it. My guess is that that figure may be subject to upward revision since that time.

I would assume that with 800 animal units, we are talking about being on the public lands some 2 $\frac{2}{3}$ months for each one of these animals. Do you think there is a relevancy between the ability to operate an outfit and to use the public domain in much of the West?

Mr. RASMUSSEN. Would you repeat that, Senator?

Senator HANSEN. Do you think that the ability to operate a small outfit is in many cases dependent upon the availability of grazing upon public lands for part of the year in order to have an outfit that will work?

Mr. RASMUSSEN. Certainly a portion of the feed must be secured someplace for this type of ranch operation, and they would be dependent for feed on the public domain as part of a rounded operation. They are finding the rest of the feed somewhere else.

Senator HANSEN. The cost of doing business reflects all of the costs that go into an operation. You would agree with that, I assume. Whether or not a person makes a profit will depend upon all of the costs that are incident and necessary to that operation on the one hand, as contrasted and compared with the gross income he receives from his operation on the other. Is that correct?

Mr. RASMUSSEN. I would think his profit would depend upon all of his costs and his efficiency.

Senator HANSEN. Don't you feel that the investment that is represented by an outfit in a grazing permit is a cost whether or not the Federal Government or agencies of the Federal Government choose to recognize it as a cost? I think you said, if I recall your testimony earlier today, that the reason you did not include the cost that would be reflected by the investment in the grazing permit was because to do so in your judgment, as I recall your words, would be to contradict the directive in the Taylor grazing law itself. Am I right about that?

Mr. RASMUSSEN. I am sure that I said that previously. The permit value is what one rancher will pay another for the privilege of grazing on public lands. It is not paid to the Government.

Senator HANSEN. And according to your studies, if I recall, which were agreed upon, the method by which these facts would be determined working in conjunction not only with permittees but with other private and public institutions as well, resulted in your finding that, for the typical Bureau of Land Management permit, there was an investment on the part of the typical rancher of \$14.41 per AUM. Is that right?

Mr. RASMUSSEN. No, that isn't correct. Not in all cases is there an investment of \$14.41. This is the average price paid by one permittee to another for the grazing privileges, as determined by the survey.

Senator HANSEN. What you are saying, then, is that as these permits have changed hands, your survey indicates that the average permit value, as they change from one hand to another, reflected \$14.41 per animal unit.

Mr. RASMUSSEN. This is correct as the transaction evidenced in the survey.

Senator HANSEN. And the means by which this determination was made were agreed upon by your people along with others in this comprehensive study. Is that not right?

Mr. RASMUSSEN. This is correct.

Senator HANSEN. Then you are not denying that the investment is in most instances contained in the overall ranch investment insofar as a permit right is concerned or a permit privilege is concerned. Would this be right?

Mr. RASMUSSEN. Where someone has purchased a permit, yes.

Senator HANSEN. Well, didn't you testify further that only a third of the initial permits that were issued back in 1934 still remain in the same hands?

Mr. RASMUSSEN. This is correct.

Senator HANSEN. So for at least two-thirds of the people, this is a fact, is it not?

Mr. RASMUSSEN. Yes. These two-thirds have paid money for the permit in prior years.

Senator HANSEN. And this reflects the average typical amount that was paid, \$14.41.

Mr. RASMUSSEN. This is for the period in the survey—1961-65.

Senator HANSEN. I see. Now, referring then again to the fact that you have the average typical rancher, there was some questioning this morning that might have implied, at least, that the average outfit was a big outfit, but according to your testimony, the typical family ranch operating on the public domain is not a big outfit. I realize that is a relative term, but I do not suggest that a 300-head operation is a big outfit. Nor do I think that the evidence would indicate that the return today, or for the last several years, from a 300-head ranch operation where no other income accrues to a family is too great or that the family is being overpaid.

Do you share that feeling?

Mr. RASMUSSEN. I don't think I said that they were being overpaid.

Senator HANSEN. I didn't mean to imply that you did. I was talking about some of the testimony that I heard this morning.

Mr. RASMUSSEN. I did testify that about 52 percent of the grazing privileges were in the hands of about 700 people. But I stated that a typical family unit was 300 head.

Senator HANSEN. I am glad you made that point because it brings up the very thing I have in mind. I have never contended, nor do I now contend, that to impose all of the increases that have been proposed and have been, in effect, implemented by the Bureau would break every value or put everybody out of business. There are a great many people who say that it wouldn't hurt the bigger operators. They would be able to stand the increase and probably even more. If it is true, and I have no reason at all to think that it is not because your testimony indicates that it is, 52 percent of all Bureau of Land Management forage is allotted to only 5 percent or fewer than 700 ranchers.

Now, this means that the balance, 42 percent, is split up among 95 percent of the ranchers, according to your figures. This is the very group I am concerned about, and it is the very group I think you have got to consider when you impose these increases. Of all people, these folks are the least able in my judgment to afford the increase. And these are the people who will be the first to leave the ranches. They are going to be the first to sell out if they think it is a little greener on the other side of the fence. They will move into town or somewhere else and will become, as is all too frequently the case these days, part of the unemployed. They will add to the problems of the cities and the problems of welfare agencies. Do you think that is a fair statement?

Mr. RASMUSSEN. Whether these folks will move from their ranches because of this increase I do not know. This is about 2 percent of their operating costs at present. At this time I wouldn't hazard a guess as to whether they would or would not leave these ranches.

Senator HANSEN. It is a fact, however, that, since 1960, some 4,600,000 people have left the rural areas of America. The unskilled, in a period of rising unemployment, are always the first to be thrown out of work. Is it not reasonable to assume that a small outfit with much overhead and with a very small margin of profit is going to be the first to be hurt when you add to costs?

There isn't much slack left in his operation. He is right down at a teeter now. It would be my feeling that if you hurt that man, if you impose extra costs upon all ranchers, this man who has blessed little left anyway will be the first to be hurt seriously and will be the first to leave a rural operation.

Does this seem reasonable to you?

Mr. RASMUSSEN. He will be paying more for his grazing fees. Whether this will cause him to leave or not I am not in a position to determine. The market might have a greater effect.

Senator HANSEN. Did you say these grazing fees would represent only about a 2-percent increase in operational costs or that the grazing fee total is only about 2 percent?

Mr. RASMUSSEN. I said at the present time it is 2 percent of the operating costs and would eventually be about 6 percent at the end of 10 years.

Senator HANSEN. According to the information I have, the Department of Agriculture states that livestock profits are about 2-percent return on the investment. I think the Department of Agriculture has come up with a realistic statement of the situation. With this as a statement of fact by the Department of Agriculture, despite the fact that the increase may be 2 percent initially and later 6 percent, it still becomes a point of vital concern, does it not, in an operation that presently reflects a profit on investment of only 2 percent?

We are not talking about a 10- or 15-percent profit as some businesses boast of on the investment that they have. We are talking about a 2-percent profit on investment. And when you get down this near the margin, isn't it true that to increase grazing fees as substantially as has been proposed by the Bureau and by the Forest Service would do substantial damage to that very small margin of profit?

Mr. RASMUSSEN. I can't agree that it would or would not do damage to it. It will increase the man's costs.

Senator HANSEN. Well, it has been my experience that anything that increases costs and doesn't increase revenues concomitantly is going to reduce the net profit, and I can't see how anything that adds to the cost side of the picture without reflecting an increase on the other side, on the income side, will do anything but hurt. Does that seem reasonable to you?

Mr. RASMUSSEN. I am certain that the cost would be reflected in the profit, as is his efficiency.

Senator HANSEN. We were talking this morning about a comparison between those persons who use privately owned land and persons who use public land, and as I recall, one of Senator Jordan's questions was directed in this area, comparing his situation with that of a user along with a number of other people on the public domain. As Senator Jordan said, on the public domain, in essence, he doesn't have exclusive jurisdiction over the area.

Now, with that in mind I recall one of the reports that was made in my State. It disclosed the fact that there are a number of significant differences in the operation of a livestock investment on public land as contrasted with private land.

For instance, this particular study disclosed that while four bulls may service the typical cow herd of 100 cows in a pasture operation, where you are using privately owned rented pasture lands, it takes

an extra bull on the public domain. It takes five rather than four. This adds to the cost.

They further point out that the selling weights of animals coming from the public ranges are typically 25 to 50 pounds less, when these animals come from public lands rather than from private lands.

These are only two of the costs. There is, according to this one survey, a greater death loss occurring on the public lands than on the privately owned lands where hunters are perhaps not present. I don't mean to say that is the only cause of death loss by any means, but as Dr. Cliff knows, there are a great many natural hazards to cattle in some areas of the public domain that do not exist on privately owned lands.

All of these are costs that I think are part of the reason why we must recognize the fairness and the equity in not trying to compare grazing costs straight across the board on privately owned lands as compared with the costs on publicly owned lands unless all of the costs on public lands are considered.

I ask you, Mr. Rasmussen, if you did not feel that you were instructed and directed by the basic law to do nothing which would seem to assert a basic right or tenancy on the part of a stockman to the use of the public lands, you might, other things being considered, have given some consideration to the investment that he has in a permit. Is this true?

MR. RASMUSSEN. In completing the survey, additional costs were allowed for the difference between operating on private land and public land. For example, in considering lost animals on cattle operations, the private land costs were 37 cents a AUM. On the public lands they were 60 cents, an allowance of 23 cents for the additional cost of operating on public land.

In other words, there was an increased cost that was recognized in using the public lands. This particular item that did indicate that there were more lost animals on the public land than on the private land.

In relation to the development costs on the public lands versus the private lands, for cattle the study indicated that the development depreciation on private lands was 3 cents per AUM, while on the public land it was 11 cents, a difference of 8 cents. These costs were used in computing the \$1.23 average base.

Again, the travel to and from allotments was 25 cents for private land and 32 cents for public lands, a further increase of 7 cents. The survey recognizes and makes allowances for the differences in costs of running on private land and public land.

Senator HANSEN. But, using the same comparisons that you have just referred to here, and recognizing the validity of all of the costs, if it had not been for your interpretation of the basic laws that regulate and govern grazing and if it had not been for your concern to do nothing which would tend to imply or to convey or to give to a stockman a vested right in a public range permit or grazing permit, would not that investment also have seemed to you a cost properly included in assessing and comparing all of the costs of private versus public land use?

MR. RASMUSSEN. The Department's position is that they would not recognize this cost.

Senator HANSEN. I know what the Department's position is because I have read it. I want to know what your opinion is in response to my question.

Mr. RASMUSSEN. I do not have a personal opinion.

Senator HANSEN. I see.

This morning we were talking about some of the proposals that have been made; legislative remedies that might be considered. Senator McGee spoke about a bill he had introduced and there were references to other pieces of legislation.

I would like to ask you what your position is regarding the desirability of proposals to amend the basic law at this time.

Mr. RASMUSSEN. I would have to speak for the Department and at the present time there has been no decision made as to the position.

Senator HANSEN. I didn't hear what you said. I am sorry.

Mr. RASMUSSEN. There has been no position on these legislative matters made in the Department as yet.

Senator HANSEN. I would like to express, if I may, this opinion, Mr. Chairman. I know that a number of stockmen will look with favor upon legislation that would recognize certain facts of life that for obvious reasons have not yet been included in the computation of costs. If I may, though, let me state my position.

Just as the action of the Department was most unfortunate and most untimely in the face of the impending report by the Public Land Law Review Commission, it would also be most unfortunate and most untimely to consider any legislation in this area. I think it is a bad mistake to talk about picking out small sections of the law and proposing that the Congress amend those sections piecemeal now. I think this flies in the face of the directive of the Congress in establishing the Public Land Law Review Commission. I have great confidence in the ability and wisdom of that Commission to make basic recommendations with reference to updating and overhauling of all of our public land laws. I don't think it is right or proper at all to pick out what seems to some of us at the present time to be a few glaring examples of injustices or sections that need to be changed for one reason or another. We should not say we will attempt now, with inadequate time, to go in and change those laws.

And I would hope that the Department would take the position, as in my position, that to consider making changes in the basic law at this time, just immediately before the Public Land Law Review Commission makes its recommendations, is entirely the wrong course to follow.

And having said that, I would hope that the Department might find it within its judgment and wisdom to recommend that all legislation in this area not be considered. I think that it would be a very serious mistake to try very shortly to amend the Public Land Law before we have had this report from the Commission.

Senator CHURCH. Senator Hatfield is next.

Senator HATFIELD. Mr. Rasmussen, I would like to go over a little material that perhaps you have already gone over. For my own comprehension put it in my words so that I am certain of what you mean and what the Department means by some of these statements.

First of all, I would like to go back to the procedure for just a moment or two, especially that which you outline in your testimony on page 11.

I understand that by your testimony you went through a procedure by which you sent out questionnaires and you developed certain surveys and kept certain interest groups informed as this survey was being carried on, and then you announced your determination which was the fee increase.

You indicate that you gave 45 days rather than the normal 30 days for comment. Is this correct?

Mr. RASMUSSEN. This is correct.

Senator HATFIELD. Then you indicate that you received nearly 1,400 letters regarding the fee issue and that by numbers, about 60 percent supported the proposal. Then you said, "All of these thoughtful letters have been answered."

I assume that you answered the other 40 percent as well.

Mr. RASMUSSEN. We answered all of them.

Senator HATFIELD. Good. What I really wanted to ask was who wrote these letters? Tell me, not by name, but who were the people who wrote such letters in support of this fee issue?

Mr. RASMUSSEN. I would have to go through my records and supply the type of organizations, or I can try to recall.

Senator HATFIELD. Well, could you give me some general ideas? User groups?

Mr. RASMUSSEN. Generally, they were user groups other than the grazing interests.

Senator HATFIELD. Recreation groups maybe?

Mr. RASMUSSEN. Recreation groups. There were wildlife groups. There were other conservation groups that did write on this subject.

Senator HATFIELD. Do you recall receiving any from stock users or grazing user groups?

Mr. RASMUSSEN. Certainly. We received a lot of them.

Senator HATFIELD. Were they on the favorable side?

Mr. RASMUSSEN. Very few of them.

Senator HATFIELD. Very few. And the ones who were, what was their rationale?

Mr. RASMUSSEN. I think, in one case, one of the ranchers wrote and said he would like to see the issue settled.

Senator HATFIELD. He what?

Mr. RASMUSSEN. He would like to see the issue of grazing fees settled.

Senator CHURCH. You took that to be a favorable response?

Senator METCALF. Mr. Chairman, I have a letter from a user in Miles City, Mont., which favors the grazing fee and I would like to have permission to put that letter in the record at this point as an example of some of the letters from users who are in support of this proposal.

Senator HATFIELD. Stock user?

Senator METCALF. This is a stockman.

Senator CHURCH. This would be a very appropriate point to insert the statement.

(The statement referred to follows:)

REMARKS OF ROBERT C. LYNAM OF MILES CITY, MONT.

I am Robert C. Lynam of Miles City, Montana. I am a member, and have been for many years, of a BLM District Advisory Board. Additionally, I have served on a number of public land and study groups for various organizations and am

presently a member of the Governor's committee studying the multiple use of State lands. My special area of interest has been the role and impact of public lands on ranch, community, and county economies.

The press releases and public statements coming from the campaign against a reasonable public land grazing fee frequently have departed so far from the truth that I felt compelled to undertake a study of the situation and to prepare remarks for this hearing. I cannot urge too strongly that we all look beyond some of the less than responsible cries, charges, and counter charges that have been made. Hopefully, some of the information I have to present will be of help to this Committee.

Fees charged livestock operators who graze cattle, sheep, and horses on public lands managed by the Bureau of Land Management and Forest Service have been under intensive study for over two years. According to this recently completed study, the rates charged for public land grazing are far below the market value of the forage. That is, rental fees received by owners of private range of similar character are much greater than those received by the Interior and Agriculture Departments.

Ranchers with permits to graze livestock on public lands administered by BLM have been paying 33 cents to graze one full-grown cow or five sheep for one month. No charge was made for calves under six months of age. National Forest permit holders paid an average of 55 cents per month per adult cow.

The study showed that the fees paid for comparable forage on private lands ranged from three to ten times that paid for public lands. The Secretaries of Interior and Agriculture would gradually raise the public land grazing fee. Under the changes they have adopted, a new base fee of \$1.23 per cow month was established, with consideration to be given annually to the average price of private forage.

To lessen the adverse impact upon public land grazers, the new base would be achieved over a ten-year period. For most of those using BLM lands this would mean a 9-cent per year hike in grazing fees, plus or minus one or two cents depending upon private forage prices. Under the change adopted, the fee for 1969 would go from 33 cents to 44 cents per cow months.

The livestock people apparently do not argue with the methods or findings of the million-dollar grazing fee study. In fact, the American National Cattleman's Association had an economist working on the study. As far as is known, all the results of the study were concurred in by all. The central issue and argument—after all the emotional cries have been eliminated—appears to be the public land grazers' insistence that "permit value" be recognized and capitalized.

What is this thing called permit value? Under existing law and regulations, grazing permits attach to private ranches. As a result, a ranch buyer normally expects to get the permit that attached to the property when public land grazing was first divided up. So, when an individual buys a ranch which has a permit to graze on national forest or public lands, he pays a premium in addition to the base price. That premium, generally called permit value, averages about \$14.50 per cow month for BLM grazing permits and \$25.00 for permits on the national forests. Permit value developed because of the very low fees that have always been charged for forage on public lands and the absence of competitive bidding. In other words, low forage costs and the guarantee of no competition are valued by ranchers, and they are willing to pay premium prices for it.

Those grazing on public lands say they support the concept of fair market value. But they insist that the Federal Government capitalize permit value at six percent a year in perpetuity. This would be subtracted from the grazing fee. In the case of the proposed \$1.23 base fee for public land grazing, 86 cents (6% of \$14.50) would be subtracted, leaving a grazing fee of 45 cents. If the permit value increased to \$22.17 a cow month, the permit holder would pay no fee. Carrying this approach further, in theory any higher permit value could end up with the Federal Government actually paying a rancher to graze livestock on the public lands. I suggest that any such arrangement is untenable and grossly unfair to the American taxpayer.

Thousands of operators running livestock on public lands paid nothing for their permits. By the accident of being there, they acquired permits when the range was divided. How do we separate out these operators? Should they be paid for permits they got for nothing?

Following the announcement of the Secretaries of Agriculture and Interior of the proposal to raise the grazing fee, I read and heard much. It soon became apparent that an all-out campaign had been mounted to defeat the proposal.

The campaign itself did not disturb me, but what was being said did. So, in an effort to get to the facts, I undertook a short study. What I found out should be of considerable concern to all of us:

1. Nationally, 5 percent of the operators with BLM permits control over 52 percent of the grazing. Going a little further, one finds that 11 percent of those with BLM permits control over 74 percent of the grazing. As a prominent livestock operator observed, "It looks to me like about 10 percent of the public land grazers—those with the biggest operations—are making about 90 percent of the noise on this fee business."

2. Nationwide, about 25 percent of the permits from BLM range are for less than 100 cow months of forage. In Montana, this involves almost 35 percent of the permits. The average livestock operator in this group would not be affected by the proposed fee hike for three or four years.

3. The low grazing fee on Federal range has encouraged widespread subleasing. For example, in the Eastern Montana BLM grazing districts of Billings, Lewistown, Malta, and Miles City, over 50 percent of the BLM forage that is sold is subleased. In the Lewistown District alone, it's over 90 percent! The rates charged for this forage range from 10 cents to \$4.42 per cow month *more* than that charged by BLM. In other words, about 60 percent of the BLM forage in Eastern Montana goes to the individual livestock operator through middle men and organizations *at rates up to fourteen times the BLM rate.*

4. In the past two years, one banker I know has purchased four ranches with sizeable public land grazing permits. He doesn't run a cow. Instead, he subleases for an average of \$4.25 per cow month. He pays nothing toward the purchase of those ranches. What he makes from subleasing Federal range carries the payment. If this were an isolated case, I would not be too concerned. But I am sure that many of us know of a number of similar cases. My point is—should public grazing be stabilizing the livestock industry, as intended by the Taylor Act, or should it be lining the pockets of a growing number of middle men? And, if we're going to continue to finance the subleasing people with public grass, should not Uncle Sam be getting a larger share of the "action"?

5. Through the sale of forage to State grazing districts in Montana, who in turn sublease to individual operators, Federal lands provide over \$100,000 a year to support State grazing district and Montana Grass Commission costs. In turn, these funds are regularly used to organize and lobby against the Federal agencies. How long should the American taxpayer permit this to continue?

6. The BLM collects on an average only about 30 percent of what the States charge for grazing on comparable State lands. In Montana, it is about 50 percent. Lease fees on Indian reservations range from \$1.00 to \$2.50 per cow month in spite of such things as 30-day cancellation clauses in the leases. The Northern Pacific Railroad in Montana charges \$1.80 and is going to \$2.50 for short-term leases adjacent to 33-cent BLM lands. Private leases where all costs are borne by the lessee regularly cost \$4.00 or more per cow month, with "waiting lines" ready to buy the forage. In Dillon, Montana, a few weeks ago, \$5,325 per cow month was bid for public land winter range.

The cry is that a 400 percent, unreasonable increase is being proposed over the 33 cent fee now charged by BLM. Yet, when the new base is reached in ten years at 9 cents per year, the return for Uncle Sam's grass will still be less than half that obtained for comparable private grass now. Recent bids for public land grazing by BLM permit holders—in those rare cases where bidding is possible—ranged from \$1.50 to \$4.00 per cow month.

Last December I participated in a joint meeting of two BLM Advisory Boards in Eastern Montana. Those Boards not only agreed that a move toward a reasonable fee was warranted, but they also approved the increase of 9 cents per cow month per year for at least five years. Additionally, they approved trying the computation of the fee to the average price of private forage. These two Boards represent about 1200 Eastern Montana ranchers that use the public lands.

A number of prominent livestock operators have told me that they oppose what amounts to the continued subsidizing of a small minority of the livestock industry. They also say that low fees for a few perpetuate unfair competition with the stockgrower who has to pay taxes on his deeded land and market prices for grazing leases. As one rancher with no public lands told me, "I get socked twice by the low public land grazing fee. Not only do I have to compete against low-priced grass, but my private lands have to carry higher taxes because there are no taxes coming from the public lands."

I have talked to a number of county officials concerning the hike in public land grazing fees. These county officials, hard pressed in their search for new sources of revenue, expressed support for the increase. Because they share in Federal grazing receipts, they see a possible fourfold increase in money coming to the counties in lieu of taxes. They also see a possible fourtime increase in the range improvement fund, which benefits local economies through rangeland developments. In the legislation that has been introduced to force recognition, or capitalization, of permit value, has consideration been given to what will happen to the in-lieu payments going to the states and counties? Is the Congress prepared to reduce or eliminate monies that are particularly critical to counties with heavy concentrations of public lands? Surely increasing permit values and fixed capitalization rates would have to reduce and, eventually, eliminate the base from which in-lieu payments are derived.

Several Senators and Congressmen have indicated that the Taylor Grazing Act should be amended. I suggest that any amendment of the Act at this time might be premature. Has not the Public Land Law Review Commission specifically been charged with the task of reviewing this Act for adequacy? But if the Act is to be opened to amendment in advance of the findings and recommendations of the Land Law Review Commission, then I urge that the job not be done piecemeal; that the entire Act be tested for adequacy in light of the challenges of 1969. To this end, I urge Committee consideration of the following:

1. With few exceptions today, "Uncle Sam" receives fair market value for his resources. Timber, oil and gas, gravel, and land sales are by bidding with fair market value as a base. Even copies of records are sold at fair market values. Royalty payments, when appropriate, are in line with those being received in the private sector. Is it not time for the American taxpayer to receive fair market value for public land forage resources also? I urge that any amendment of Section 3 of the Taylor Grazing Act clearly establish fair market value as the only basis for the sale of public forage.

2. There is a need to clearly establish that public lands are publicly owned for public use. Such is inhibited by Section 18 of the Taylor Act, which limits District Advisory Board composition to stockmen and one wildlife representative. No other interests can be represented. If the Taylor Act is to be amended to benefit all Americans, it should provide for bona fide multiple use advisory boards at the district level.

3. Section 6 of the Taylor Grazing Act clearly prohibits any restrictions of public ingress and egress to the public lands. Yet millions of acres are effectively barred to public use by interspersed private lands; illegal posting bars access to millions of additional acres. If public lands are to become truly public, then the Taylor Act, possibly Section 6, should require the guarantee of public access as a requisite to the granting of a lease, license, or permit.

4. There is an apparent need for standardization and an increase in the amount of grazing receipts returned to the states and counties in lieu of taxes. In most instances, such monies now are considerably below taxes being received from comparable lands.

5. If the Taylor Act is to be amended to recognize permit value, I urge that this Committee:

- a. Develop a means to identify those who paid nothing to acquire their permits and eliminate them from consideration for compensation;

- b. Provide for the compensation of those who purchased permits such compensation to be limited to permit value at the time of acquisition; and

- c. Authorize the appropriation of sufficient money to purchase all outstanding permits, and thereafter offer all public land forage for sale through bidding at public auction.

Mr. RASMUSSEN. There were also some non-public-land users who wrote and said they would be glad to pay this fee for the privilege of securing the permits.

Senator HATFIELD. Then in the next sentence you indicate that besides the letters from individuals, the Secretary received position statements from the major National and State conservation groups, State governments.

Would you explain a bit more who is speaking on behalf of the State governments and what agencies—

Mr. RASMUSSEN. I will have to check on that.

Senator HATFIELD. Would these be Governors, or agricultural directors? Normally, who would you hear from?

Mr. RASMUSSEN. In a number of cases we heard from Governors.

Senator HATFIELD. I would like to have, Mr. Chairman, if it would be appropriate to make such a request, any such letters, at least from my State of Oregon; who sent such letters to you representing the State of Oregon or speaking on behalf of the State of Oregon. I don't know how the other States feel about it; but I think this would be very interesting, from my point of view at least.

Mr. RASMUSSEN. No letters were received from the Oregon State government.

Senator HATFIELD. After you had received this rather divided response to this proposal, did you have any thought or discussion in the agency about consulting or working with this committee in the possibility of setting up hearings or just in working cooperatively with this committee before you implemented this policy?

Mr. RASMUSSEN. I don't believe it was given consideration, since we were initiating the proposed rulemaking process.

Senator HATFIELD. It just didn't come to mind, was that it, or was it just a matter that was not discussed? Did you think about it or did it come to your mind?

Mr. RASMUSSEN. We supplied the Members of Congress with the information and with the packets, but not immediately prior to the proposed rulemaking which is designed to produce comments.

Senator HATFIELD. At what point in this procedure?

Mr. RASMUSSEN. I think the middle of November, when the proposed rulemaking was announced.

Senator HATFIELD. But this was after the decisionmaking process had been pretty well finished in the agency.

Mr. RASMUSSEN. Yes.

Senator HATFIELD. I don't say this as any indication that I have any preconceived notion, but I merely raise the question: Do you think that there was any element in the adoption of this fee increase that had in mind an objective to remove, deliberately remove, users, stock users, from public lands?

Mr. RASMUSSEN. There was no thought of this.

Senator HATFIELD. Was there any indication through economics or other elements of your study that this might have this result? Or did you consider this as a possible result, whether intended or not?

Mr. RASMUSSEN. We did not consider this as a possible result.

Senator HATFIELD. In other words, you consider that with this fee increase, you would have a continuation of the user groups as you have had and that there would be perhaps a little static but they would quiet down and everything, would go along just about the way it had gone along before.

Mr. RASMUSSEN. That there would be a continuation of user groups.

Senator HATFIELD. On the same basis, that is on the same scale and numbers and quantitatively?

Mr. RASMUSSEN. Yes.

Senator HATFIELD. In other words, then, the agency had at no time any thought either by evidence of your studies or any other indica-

tions that this might have a result of restricting numbers of users in the stock industry in this country?

Mr. RASMUSSEN. No.

Senator HATFIELD. Does the testimony this committee has heard today from distinguished Members of the Senate and others, thus far representing States that have an important cattle industry, surprise you?

Mr. RASMUSSEN. No.

Senator HATFIELD. And yet it never occurred to you that possibly it might be well to alert this committee and provide some opportunity for some kind of interchange between members of this committee and your Department?

Mr. RASMUSSEN. I believe this would be a matter of which the Department itself would have to comment.

Senator HATFIELD. I am sure it is true, but you are a very important member of that Department; aren't you?

Mr. RASMUSSEN. Thank you.

Senator HATFIELD. But it didn't occur to you.

Now, I am a little confused on page 14. You can go to that page, the second paragraph, please. The beginning sentence says:

On the average, the fee increase would have no effect on more than 25 percent of the Bureau of Land Management's permittees until about 1974. These small operators graze fewer than 100 animal unit months annually, and pay the \$10 minimum fee.

Now, will you relate the 25 percent to small operators? I am a little bit confused on that relationship of those two sentences. Are you telling me here that 75 percent of your permittees are small operators?

Mr. RASMUSSEN. No.

Senator HATFIELD. Or 25 percent are small operators? Who are the small operators?

Mr. RASMUSSEN. I am saying that 25 percent of the operators graze fewer than 100 animal unit months annually.

Senator HATFIELD. Let me go back and repeat the sentence as I read it. "On the average, the fee increase would have no effect on more than 25 percent of the Bureau of Land Management's permittees until 1974."

Are you saying to me that 75 percent of those permittees now would not have an effect—would feel no effect on this fee increase?

Mr. RASMUSSEN. No. I am saying there are 25 percent of the total number of permittees who will not pay any more than the minimum \$10 fee. They are paying that at the present time.

Senator HATFIELD. And they are all small operators.

Mr. RASMUSSEN. I would consider them very small.

Senator CHURCH. Do you know you can read that sentence both ways?

Senator HATFIELD. Yes.

Senator CHURCH. This statement must have been prepared by your drafting department.

Mr. RASMUSSEN. No. I helped prepare it.

Senator CHURCH. You can read it both ways. But is it 25 percent that you intended.

Mr. RASMUSSEN. Correct.

Senator HATFIELD. Do you see why I raised the question? I really wasn't trying to corner you but merely tried to clarify it for myself.

Now, if I could go back to page 8. On page 8 second paragraph, you talk about "the new regulations for fees collected within the Bureau of Land Management Districts provide that one-third of the fee be designated by the Department as a range improvement fee and two-thirds as the grazing fee."

Could you tell me the rationale of this particular division of the one-third and two-thirds?

Mr. RASMUSSEN. This has been in effect since 1963.

Senator HATFIELD. Could you tell me the criteria or formula, or how you came to this particular division?

Mr. RASMUSSEN. I am not aware of how this particular formula was developed.

Senator HATFIELD. Could that be provided to the committee?

Mr. RASMUSSEN. Yes.

(The information requested is as follows:)

The Taylor Grazing Act of 1934 does not specify the amount of the fee to be charged as a range improvement fee or the grazing fee. Section 3 of the Act states . . . "Such fees shall consist of a grazing fee for the use of the range, and a range improvement fee. . ." Section 10 of the Act provides that 25 percent of the monies collected under Section 15 of the Act shall be a range improvement fee.

It is assumed that since Section 10 provided for 25 percent range improvement fee on lands administered under Section 15, a like amount was identified for Section 3 lands. The twenty-five percent range improvement fee was continued from 1936 to 1950. In 1951 the range improvement fee percentage was changed from 25 percent to one-sixth and was continued through 1954. In 1955 it reverted to 25 percent and continued until 1963, when it was changed to one-third and has continued to the present.

The 1963 increase in range improvement fees was the result of the 1962 Special Committee on Grazing Fees of the NABC recommendations which stated . . . "That all of any increase be designated as an addition to the present range improvement portion of the total fee."

A summary history of Bureau of Land Management grazing fees follows:

HISTORY OF BLM GRAZING FEES

| Year | Total fee | Allocation |
|--------------|---------------------|--|
| 1936-46..... | ¹ \$0.05 | 50 percent to States, 25 percent to range improvement (RI). |
| 1947-50..... | .03 | \$0.05 grazing fee, 12½ percent to States, \$0.02 range improvement fee. |
| 1951-54..... | .12 | \$0.10 grazing fee, 12½ percent to States, \$0.02 range improvement fee. |
| 1955-57..... | ² .15 | 75 percent grazing fee, 12½ percent to States, 25 percent range improvement fee. |
| 1958..... | .19 | Do. |
| 1959-60..... | .22 | Do. |
| 1961-62..... | .19 | Do. |
| 1963-65..... | .30 | ¾ grazing fee, 12½ percent to States, ¼ range improvement fee. |
| 1966..... | .33 | Do. |
| 1967..... | .33 | Do. |
| 1968..... | .33 | Do. |
| 1969..... | .44 | Do. |

¹ Charge per animal-unit month (AUM). 1 animal unit (AU) equals 1 cow or 5 sheep.

² Double charge for horses beginning in 1955.

Senator HATFIELD. Why do you adjust the base for maintenance costs of range improvements and not for interest costs of purchase of permit?

Mr. RASMUSSEN. The maintenance of water facilities and fences are on an annual basis and this is a cost of keeping your stock on the range and keeping your improvements in good order.

Senator HATFIELD. Well, wouldn't it be true, though, that neither cost is for the benefit of the Government by permanently adding to the value of the range?

Mr. RASMUSSEN. Were you asking me about the maintenance?

Senator HATFIELD. I am asking you about the adjustment that you make for maintenance cost on range improvement but not of the interest for the purchase of the permit because to me recognition of the interest cost of a permit is no more a recognition of a proprietary right in the Federal land than is the recognition of the maintenance cost.

Would you disagree or agree?

Mr. RASMUSSEN. I would disagree.

Senator HATFIELD. What is the difference, then? That is my question.

Mr. RASMUSSEN. The cost of maintaining fences and water developments is a part of the operating procedure necessary to handle the stock on the national forest or the public domain. The money that a man pays for a grazing permit to another man does not really have anything to do with the management of the range or the management of the area to facilitate the use by livestock.

Senator HATFIELD. But does either give him a proprietary right in the Federal land?

Mr. RASMUSSEN. The maintenance does not give him any proprietary right in the land.

Senator HATFIELD. Neither does the cost of the permit or the interest of the permit. And yet you recognize one but not the other.

Mr. RASMUSSEN. Our statement gives the reasoning for this.

Senator HATFIELD. You don't think that is inconsistent.

Mr. RASMUSSEN. No, Senator.

Senator HATFIELD. I guess that is what makes horse races, differences of opinion.

Can you explain exactly to me how—here I am seeking information and I certainly have no expertise in this field at all, but can you explain to me in layman's language exactly how a credit for interest cost of a permit represents a return on the market value of the grazing permit any more than a credit for maintenance of a range improvement?

Mr. RASMUSSEN. I would have to say that the legal opinion of the Solicitor's office of the Department was that it did.

Senator HATFIELD. I am not a lawyer, so I can't understand that. Could you give me the rationale as a policymaker, which you are?

Mr. RASMUSSEN. Strictly speaking, I am not a policymaker. In legal matters, I must abide by the Solicitor's legal opinion.

Senator HATFIELD. I understand that. I was a Governor for 8 years and I had to abide by the attorney general's opinion as much as I hated to do it at times. But at least there were policy rationales outside of the legal technical requirements and I am asking now for the policy rationale of this.

Mr. RASMUSSEN. I would still have to say that the policy in this particular area is that this would be in direct conflict with the Taylor Grazing Act. Under the circumstances, as indicated by the Solicitor, this was the Department's position.

Senator HATFIELD. Well, I tried.

Now, on page 12, one last question, Mr. Chairman. On page 12, the end of the first paragraph, you say:

In other words, the fees are based upon giving the rancher credit for his cost of using the land.

Is not the interest cost of the permit a cost of using the land?

Mr. RASMUSSEN. As I have said before, this is a legal question and the Department does not agree it is an allowable cost.

Senator HATFIELD. So, then, it is purely a legal technicality rather than a rationale that has been developed out of policy discussion and policy determination.

Mr. RASMUSSEN. I would think in a sense that is so.

Senator HATFIELD. I have no more questions.

Senator METCALF. Mr. Chairman—

Senator CHURCH. Yes. First of all, Senator Bible.

Senator BIBLE. Mr. Chairman, might I ask one question of Mr. Rasmussen before he completes his testimony? I overlooked doing this during my earlier questioning. And that is on page 9, Boyd, you say at the bottom of your second paragraph:

The study did include the cost to the rancher of range improvements placed on the public lands and his maintenance for them. Title to many of these improvements remains in the name of the rancher.

Now, could you give me some examples of that one sentence, that some of the improvements in the public domain remain in the name of the rancher? That is in variance with what my understanding was of the regulations and of the act itself.

Mr. RASMUSSEN. These are the improvements that are authorized under section 4 of the Taylor Grazing Act.

Senator BIBLE. How many improvements have been placed on public domain lands that remain in the names of the ranchers?

Mr. RASMUSSEN. I would have to secure that for the record.

Senator BIBLE. Are you talking about 10, or 15, or 20, or 25?

Mr. RASMUSSEN. In the thousands.

Senator BIBLE. Thousands of them.

(The data requested is as follows:)

Listing by State of the numbers of secs. 4 and 15 improvements which have been placed on public lands administered by the Bureau of Land Management

| | | | |
|------------------|--------|--------------------|---------|
| Arizona ----- | 3, 920 | Utah ----- | 870 |
| California ----- | 625 | Wyoming ----- | 3, 546 |
| Colorado ----- | 1, 080 | Nebraska ----- | 15 |
| Idaho ----- | 1, 128 | North Dakota ----- | 62 |
| Montana ----- | 4, 175 | South Dakota ----- | 437 |
| Nevada ----- | 1, 490 | Kansas ----- | 1 |
| New Mexico ----- | 5, 366 | | |
| Oregon ----- | 538 | Total ----- | 23, 253 |

Senator BIBLE. Now, will you spell it out just a little further—other than relying on the legal side of it. The reason I ask the question, it was always my understanding, if I am a permittee on the public domain, that before I am permitted to go in and put in a waterhole or put up a windmill, that I have to get permission to do so. I think they call it a section 4 that requires me to say that title shall not vest in the Federal Government.

Now, what if I leave there? Can I take the windmill along with me?

Mr. RASMUSSEN. If you wanted to take the windmill under a section 4 permit, you could. But ordinarily—the improvement title is in his name. The land is still in the U.S. Government.

Senator BIBLE. I realize that. But then, again, what does “title to many of the improvements remains in the rancher”—as a practical matter, what does that mean? Maybe you ought to read section 4. Why don't you read section 4 for us. I am not trying to confuse you, Boyd. I am just not quite clear on exactly what that means. Maybe it technically remains in the name of the rancher. I assume this is put in that paragraph to show that you are giving the rancher some credit for an improvement that he himself has put on the public domain. But what benefit is there to him?

Maybe you should read section 4. You are relying on it.

Mr. RASMUSSEN. Section 4 reads:

Fences, wells, reservoirs, and other improvements necessary to the care and management of the permitted livestock may be constructed on the public lands within such grazing districts under permit issued by the authority of the Secretary, or under such cooperative arrangements as the Secretary may approve. Permittees shall be required by the Secretary of the Interior to comply with the provisions of law of the State within which the grazing district is located with respect to the cost and maintenance of partition fences. No permit shall be issued which shall entitle the permittee to the use of such improvements constructed and owned by a prior occupant until the applicant has paid to such prior occupant the reasonable value of such improvements to be determined under rules and regulations of the Secretary of the Interior. The decision of the Secretary in such cases is to be final and conclusive.

Senator BIBLE. What value is it, then, assuming that your construction of section 4 is correct, what particular value is that to the permittee to have that title? What does it mean to him?

Mr. RASMUSSEN. The permittee may transfer this improvement when he transfers his grazing permit and receives payment for its reasonable value.

Senator BIBLE. But can he transfer it apart from the grazing permit?

Mr. RASMUSSEN. No; he couldn't transfer it apart.

Senator BIBLE. No; of course not. And must he share the use of this permitted right with others or is this an exclusive right he has under section 4?

Mr. RASMUSSEN. He might share it if it were a watering trough.

Senator BIBLE. If it is a waterhole or reservoir, and normally isn't this what we call use in common? Is that what we say?

Mr. RASMUSSEN. Common use; yes.

Senator BIBLE. Is that the general pattern?

Mr. RASMUSSEN. Not with the section 4 permits.

Senator BIBLE. Section 4 permits—

Mr. RASMUSSEN. Usually the man who installs the improvement uses it.

Senator BIBLE. Exclusively?

Mr. RASMUSSEN. Yes, ordinarily.

Senator BIBLE. Well, the only purpose, Mr. Chairman, of my questioning was that there seems to be a rather strained attempt on the part of the Bureau of Land Management to take credit for something here or to credit the rancher with something I really don't think

means much to him. I mean, this is my observation. Maybe I am wrong. If I am, point it out.

Mr. RASMUSSEN. I think you might ask one of the ranchers that question.

Senator BIBLE. Well, we will be very happy to. We have plenty of them here, I can see.

Thank you, Mr. Chairman.

Senator CHURCH. Senator Metcalf.

Senator METCALF. Mr. Chairman, along with Senator Hatfield's questions and some of the other questions that have been propounded, I wondered if it wouldn't be of value to have the Solicitor's opinion on this in the record.

Senator CHURCH. Yes. I think so.

Senator METCALF. I was going to suggest that perhaps it be supplied and the staff examine it and see whether or not it would be appropriate to be put in the record at this point.

Senator CHURCH. Would either of you gentlemen care to comment on that suggestion?

Senator METCALF. I would like to see the Solicitor's opinion just for my own—

Senator CHURCH. Do you have an opinion by the Solicitor on this question?

Mr. RASMUSSEN. We have an approval by the Solicitor of the grazing fee schedule.

Senator METCALF. The matter I was talking about was this matter of the so-called Solicitor's opinion on the proprietary rights and as to whether or not interest could be charged on the permit.

Senator CHURCH. Perhaps I could rephrase the question. You have testified that in the opinion of the Department the value of the permit, the market value of the permit, may not be figured into the calculation of cost on which the fee schedule has been based, because this would somehow acknowledge a proprietary right in the permittee, and when you were pressed, you testified that this had been a legal opinion. So the question is, do you have such a legal opinion from the Solicitor?

Mr. RASMUSSEN. I would say—

Senator CHURCH. The Solicitor of the Department?

Mr. RASMUSSEN. I would say it was a legal ruling.

Senator CHURCH. On this particular point?

Mr. RASMUSSEN. I am not sure on this particular point.

Senator CHURCH. Well, that is the question. Do you or do you not have such a ruling on this point? This is a central point. It is the point on which you have justified the exclusion of a factor in the operator's cost that is of very large consequence, so we are trying to find out on what basis you excluded it. You have told us that it was on a legal basis, and we are now asking for the opinion of the Solicitor to back up that testimony.

Mr. RASMUSSEN. The Solicitor reviewed all of the papers in connection with the fee schedule and gave his legal approval to them rather than a separate written opinion on this particular case.

Senator CHURCH. Well, I think we had better ask the Solicitor, and I would suggest that this subcommittee ask the Solicitor if he would prepare an opinion on this particular point, because it is a very crucial

one, and I think we ought to have the benefit of his opinion as to what the law requires with respect to this question. We want to know whether or not the law required you to exclude the value of a permit in determining a reasonable rate schedule.

Senator METCALF. Mr. Chairman, I completely concur. This is one of the most essential and vital points in this whole hearing, this matter of permit value and what we are going to do about it.

Senator CHURCH. If you don't have the opinion of the Solicitor on that question, you should have it, and so should we.

Are there any further questions of this witness?

Senator HANSEN. Mr. Chairman, I attempted to elicit responses from the Director of the BLM as to the implementation of the directive that I see as a preamble to the Taylor Grazing Act. I read again because I think it is germane to the very point you are making. It seems to me basic to this whole issue. That is, if we are going to resolve the question, did the Department act within the framework of law in implementing these new grazing fees?

Then I think it is entirely appropriate that we have the legal opinion that supports that contention. If I understand the Director correctly, the main reason that they moved forward with the fee increases and neglected to take into consideration the investment that is represented in a permit by about two out of three ranchers is because inclusion of the investment in the permit would recognize a proprietary right on the part of the permittee to the use of public lands.

If that is the case, then I think we ought to know it. But the preamble to the Taylor Grazing Act said that the objective of this act is—

* * * To stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range.

It was in this very connection, to stabilize the livestock industry dependent upon the public range, that I think it is germane to ask what the opinion of the Department is regarding the optimum size of an outfit. If in your opinion 300 head permit is adequate, I should think that you won't stabilize anything unless you try to establish or to bring about conditions which would make profitable a continuing on-going operation. Would that be your opinion, Mr. Chairman?

Senator CHURCH. Yes. I think that I would go further and ask that whole provision of the law that you had commenced to read, but had not completed—

Senator HANSEN. Yes. I recognize that.

Senator CHURCH (continuing). Be brought to the attention of the Solicitor of the Department and that we ask the Solicitor if the criteria that are set out in that provision of the law respecting the establishment of fees would allow the market value of the permit to be included as a pertinent factor in the determination.

In fact, that language suggests much broader criteria than that which the Department did in fact use, which was "fair market value," and the Department looked at that exclusively from the standpoint of the Government, whereas the congressional language which established the statutory criteria goes much farther.

Senator HANSEN. I agree.

Senator CHURCH. So I think we should have the Solicitor's opinion on this matter.

Senator JORDAN. Mr. Chairman, may I add one comment here. It seems incredible to me that the Department of the Interior would recognize that title to many of these improvements remains in the name of the rancher, yet the rancher builds up no proprietary interest in the permit itself.

Senator CHURCH. Without any question there is an inconsistency of treatment involved here.

Senator HANSEN. Then, if I may pursue this point just a bit further, Mr. Chairman, let me also suggest the germaneness of an opinion from the Solicitor comparing the criteria handed down for establishing fees which reflect fair market value and the directives contained in title 5 wherein it is suggested that—

* * * They shall prescribe, therefore, such fee, charge or price, if any, as he shall determine in case none exists or to redetermine in case of an existing one to be fair and equitable.

Now, these words do not refer, in my judgment at least, to fair market value.

Senator CHURCH. Read on, Senator.

Senator HANSEN (continuing:)

Taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served and other pertinent facts, and any amount so determined or redetermined shall be collected and paid into the Treasury as miscellaneous receipts.

Senator CHURCH. Yes. I think we definitely need to have the Solicitor's opinion as to what this language means. It seems to me that it establishes a much broader statutory criterion for the determination of the fee than the one used by the Department in this case. And so, if the staff has been heeding these words, appropriate inquiries should be prepared and sent to the Department requesting it to respond to these questions.

(The Department's reply is as follows:)

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., April 7, 1969.

HON. FRANK CHURCH,
Chairman, Subcommittee on Public Lands, U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH: This is in reply to your letters of March 4 and March 24, 1969, requesting a Solicitor's opinion regarding the legal basis for the Department's position that the capitalized value or cost of a grazing permit is not to be taken into consideration in the fixing of grazing fee schedules.

As you know, this question is presently being litigated in the Federal courts. A decision has been rendered in the case entitled *J. R. Broadbent, et al., v. United States, et al.*, Civil No. C-3-69, in the United States District Court for the District of Utah, and a decision is expected in the near future in the case entitled *Pankey Land and Cattle Company v. Hickel*, Civil No. 7869, in the United States District Court for the District of New Mexico. The court's decision in *Broadbent* was delivered orally from the bench and a copy of the transcript is enclosed for your perusal. In view of this pending litigation, the Solicitor believes that it would be inappropriate for him to render an opinion at this particular time. Once the court cases have been decided, however, there would be no objection to preparing a Solicitor's opinion. It may well be that the courts will so treat the question that an opinion will be unnecessary.

Accordingly, it is our suggestion that the subcommittee defer its request, if at all possible, until the pending litigation has been resolved. If at that time an opinion is still desired, we shall be most pleased to furnish it.

Sincerely yours,

HARRISON LOESCH,
Assistant Secretary of the Interior.

Senator CHURCH. Any further questions? Also I think the record should show who your assistant is, Mr. Rasmussen.

Mr. RASMUSSEN. Mr. George Turcott.

Senator CHURCH. And his position in your Department?

Mr. TURCOTT. I am the Deputy Assistant Director for Renewable Resources.

Senator CHURCH. Thank you very much, Mr. Turcott. Thank you, Boyd, for your testimony.

Senator CHURCH. Our next witness is Mr. Phillip S. Hughes, Deputy Director of the Bureau of the Budget.

STATEMENT OF PHILLIP S. HUGHES, DEPUTY DIRECTOR, BUREAU OF THE BUDGET

Mr. HUGHES. Mr. Chairman, I have a rather brief statement, but I believe that much of the ground that it covers has been plowed, to use a simile from the wrong kind of agriculture, and I perhaps—

Senator CHURCH. Trod. The ground has been trod. More appropriate.

Mr. HUGHES. I might be able to call attention to what seemed to me to be the salient points and save a little of the committee's time.

First of all, we do appreciate the opportunity to be here and present our views on this rather complex and obviously controversial matter.

With respect to the Bureau of the Budget's involvement in the whole question of grazing fees, it has really been twofold. The less controversial involvement has been the technical involvement of our Office of Statistical Standards in the matter of the surveys, several of them, which led up to the establishment of the fees. We think this has been constructive and it has helped to assure the validity of the results.

We believe, incidentally, that the surveys have certainly attempted to take into account the differences in the benefits and value of public grazing, as distinguished from private, when we recognize this is an area that the committee will want to look into very carefully in order to satisfy itself as to whether the cost and benefits aspects of the two have been adequately handled. But the surveys did, as Mr. Rasmussen pointed out, attempt to make that distinction.

The other area of Bureau involvement, I think, has been quite correctly surmised by several of the committee members to be our general pressure for uniformity and equity in grazing fees. This as a part of our general effort to apply user charges throughout Government for Government properties and for Government services wherever we have been able to achieve this.

This particular grazing fee area has been a difficult one. The effort has extended over a long period of years. There have been, it seems to us, really three distinct primary areas of concern that the committee must direct itself toward.

One is the question of the validity of the data that was gathered in the surveys and upon which the fee adjustment was based.

The second is the whole question of permit value, which I think the committee hearing has demonstrated is increasingly the key question, really, in this whole matter.

The third area is the question of the impact of the grazing-fee adjustments on the users. It involves the question of the small user, what ameliorating steps should be taken with respect to him, and so

on. But I think the permit value is really the key question, and I would like, if I might, in the remainder of my volunteered statement, to talk very briefly about that.

First, on the question of the law and the Solicitor's opinion—I am not sure whether this constitutes a Solicitor's opinion or not, but it looks like an opinion to me, and I am looking at page 10 of Mr. Rasmussen's statement where he starts out, "The Interior Solicitor has stated that," and he quotes, "to base the fee on a credit"—and so on—"is directly in conflict with section 3 of the Taylor Grazing Act, since it would recognize what the law prohibits," and so forth. I won't read all of it, but it is there in the record and it is a relevant statement, it seems to me, from the Interior Solicitor.

With respect to the policy here and the question of the propriety of exclusion of the permit value or the interest on it, I, in my own mind at least, regard this as an important question of equity among the parties at interest here, and certainly one of the parties at interest is the public at large, the owners of the public domain.

It seems to me that, as the comment of the Interior Solicitor recognizes, the inclusion of an interest charge or other recognition of the permit value transfers income from the public, the owner of the land, to the permitholder to which I believe the public is entitled. The permit and its value is at least in part—I am not sure in what part, but at least in part—a recognition of the fact that over the years the fees for grazing have not represented the market value of that grazing and, therefore, at least as I see the situation, have not recognized the equities, the public equity in the matter, and the permit value has been a substitute in the hands of the permitholder for that ranch.

If that is built into the transaction and into the calculations upon which grazing fees are based, the effect of that computation is to forever preclude the public getting what seems to me its equity, which is, at least as I see it, fair market value for its property. And it is on that basis, nonlingo, I hope, nontechnical, at least, that it is proper to leave out of the calculation of the value of the forage to the permitholder the value of the permit which he is fortunate enough to hold.

Now, Mr. Chairman, I will be glad to respond as best I can to your questions.

Senator CHURCH. Thank you, Mr. Hughes, for your statement. If you would like, the printed statement as you originally prepared it will go in the record.

Mr. HUGHES. I would appreciate it if that could appear in the record.

Senator CHURCH. You have testified that you believe the Government should get "fair market value" for the grazing of these lands. That may be so. I am not prepared to argue that the Government ought not to get fair market value on the merits of that proposition. But where do you find that proposition embodied in the law?

Mr. HUGHES. Well, you have referred, Mr. Chairman, to title V of the Independent Offices bill and also to the Taylor Grazing Act. You have also pointed out accurately that those statutes use terms such as "reasonableness" and "equity." They do not use the term "fair market value."

I think the question is, What constitutes reasonableness and equity here? It seems to us, obviously, that fair market value is an equitable

measure here from the standpoint of the user as well as from the standpoint of the owner, the public.

Senator CHURCH. Let me point out that another of the terms in the law is "benefit to the recipient."

Mr. HUGHES. Yes.

Senator CHURCH. Which is to be considered. And it is hard for me to understand how that benefit can be ascertained without some calculation or some inclusion of his cost. I have never been able to ascertain any benefit without relating it to cost.

Mr. HUGHES. If I may differ, Mr. Chairman, it seems to me the benefits themselves are one calculation. The costs are a separate calculation.

Senator CHURCH. How do you determine the value of the benefit without figuring its cost?

Mr. HUGHES. One way of doing it, sir, is to identify what that benefit is worth in the marketplace.

Senator CHURCH. Well, but doesn't that also involve, doesn't that very calculation involve, a determination of the cost?

Mr. HUGHES. I don't think it need do it. At least, we determine benefits in some sense every day in our purchases. We make judgments on benefits by buying things without reference ourselves to the costs that went into purchasing that article.

Senator CHURCH. The language of the law, however, is the benefit to the recipient.

Mr. HUGHES. That is correct. And the benefit to the recipient, it seems to me, one measure of that is what similar forage might cost the recipient in the open markets.

Senator CHURCH. Right; and in making that determination you have to consider his comparable costs for obtaining public grazing, and a part of the cost is the permit. I think you are running in circles. I say that respectfully, because I know you are an expert in these matters. But you haven't persuaded me that if you are going to determine the benefit to the recipient, which is the language of the law, that you can possibly do it while ignoring a major item of his costs.

Mr. HUGHES. Well, I can make several comments, Mr. Chairman.

First, substantial numbers apparently, a minority but still substantial numbers, have not incurred that cost.

Senator CHURCH. Oh, yes. Now, as to them, I would not make this argument; but two-thirds, according to the testimony, have purchased these permits at very substantial expense to them.

Mr. HUGHES. At varying but in some instances perhaps very substantial costs. I think it is also worth considering that many of those who have paid the permit value have in some sense amortized that value over a long period of years at low—

Senator BIBLE. You mean it wears out?

Mr. HUGHES. It is used in the sense that they have had the value of the grazing which, if I adopt your argument, they paid for when they got the permit. They have had that value, for whatever years they have had the permit, since they purchased it.

Senator CHURCH. Varying, depending on how long they have held it.

Mr. HUGHES. Yes; that is correct. So that some portion of the two-thirds have amortized a portion or all of the permit value. But a very

fundamental consideration here, it seems to me, is the question of the public equity as far as the public is concerned in these matters. The public has a resource which has been underpriced, I think by general admission, over a long period of years and the most objective admission of this is the permit value.

Senator CHURCH. I don't mean to interrupt you, but you are getting back to the earlier question, which is whether or not the public interest should require that the Government get fair market value for its grazing lands.

My question relates to what the law does, in fact, require. And I am troubled by what seems to me to be a calculation based upon one standard, fair market value, when the law seems to express another. And these are the points on which we are going to have to press the Solicitor, because these programs have to be administered in accordance with the law, not in accordance with what administrators themselves may think constitutes a better standard.

Mr. HUGHES. Certainly. I quite agree. I think the question of equity in these circumstances is a difficult one. Equity for the public at large, the owners of the public domain, equity for the permitholder who has developed a pattern of living over a period of time. I think the recognition of the permitholders' problem, at least a partial recognition of that, is in the staging over a 10-year period which provides a further amortization period for those permitholders who have paid for the permit.

Senator CHURCH. I am not quite sure I understand what you mean by amortization in this case. It is not an item which you can depreciate and take tax deductions for, is it? How would it be treated under the income tax?

Mr. HUGHES. Looked at in nontechnical terms, the permitholder acquired a permit to graze on Federal lands for a given period of time. That privilege was based at the time that he acquired it on a certain fee structure which in turn affected his permit value.

Senator CHURCH. Yes.

Mr. HUGHES. If hypothetically he had a 10-year permit, and if he as a business calculation or speculation expected the fees to be maintained at the same rate, then that differential in some sense was reflected in the price that he paid for the permit, the difference between, let us say, whatever fee was charged and fair market value was reflected in at least part of the value of his permit. And that is the thing which over a period of time he has gotten the benefit from.

Senator CHURCH. What you are saying is that in 10 years, in the case of your hypothesis, he would have gotten his money's worth.

Mr. HUGHES. He might have, yes.

Senator CHURCH. Because of the lower fees.

Mr. HUGHES. If he paid the right fee and if the fees weren't adjusted, and so forth. Amortization, I think, is a confusing word. He extracted the value from the permit.

Senator CHURCH. Yes. It was confusing to me but with your explanation I understand the thrust of your argument. Senator Metcalf.

Senator METCALF. Mr. Hughes, as a matter of fact, some of the permit value is this concept in the Taylor Grazing Act of a stabilizing influence for the livestock industry. Isn't that true?

Mr. HUGHES. It seems to me reasonable.

Senator METCALF. And I wasn't around here, very few of us were, when the Taylor Grazing Act was passed. I can remember when I was in the Montana Legislature and we passed the Grass Conservation Act that complies with the provisions of the Taylor Grazing Act. We were admonished at that time that there wouldn't be any proprietary value and we were told that the reason the Taylor Grazing Act was enacted, and we wrote that into our statutes in Montana, too, is that we would have some stabilizing influence so that a man didn't have to go in year after year and bid in a competitive bidding operation to keep his livestock industry going.

But at that time all of us thought that we had secured this business of not having a special subsidy for fee values, and it seems to me that there is a difference between a uniform application of grazing fees and destroying the stabilizing influence of the Taylor Grazing Act. It looks as if it is being partially upset by the fact that people who buy a ranch go in and say, "Well, I do want to have some assurance that I will have some grazing, summer grazing, on my base property." That is what the Taylor Grazing Act very properly, in my opinion did, and why it has been so important in the livestock industry of the United States. That is all, Mr. Chairman.

Senator CHURCH. Thanks, Senator. Senator Hansen?

Senator HANSEN. Mr. Chairman, I do have a few observations, and then some questions, I would like to make.

First of all, I hope none of us will forget that as we settled this country a lot of the areas which now support families and contribute taxes and provide jobs and add income to the overall economy would never have been settled if public lands hadn't been used long before the passage of the Taylor Grazing Act. As Senator Metcalf has just observed, there were public land areas that could be used. In the particular part of the country from which I come, if it weren't for the fact that people could graze livestock on very lush pastures of forest lands in the summertime there wouldn't have been any livestock operation out there. Our winters are too long. And I am sure that the Bureau of Reclamation people would agree with me that one of the things we are trying to come to grips with now, as we consider new projects, is a relenting of the application of the 160-acre limitation statute. Many of these 160-acre areas in the West are at the higher elevations with shorter growing seasons and just can't support an operation that will in turn support a family.

Therefore, we have more to look at than simply trying to arrive at a fair market value based upon some criteria that admittedly excluded certain very valid considerations which have been excluded arbitrarily simply because recognizing them would bring about an untenable situation, insofar as some administration people are concerned, in trying to live within a law which says a proprietary interest cannot be recognized.

In this context I was interested in your responses to Senator Church about the other costs that may indeed exist in a permit which have not been recognized in trying to make a fair comparison between the costs of running on privately owned land versus publicly owned land. If I understood you correctly, Mr. Hughes, I think you said that it was not necessarily indispensable or germane to recognize these costs. These

are not your words, but the thought you expressed was that you didn't necessarily have to look at all of these costs in order to establish a fair market value. You could look at what it costs to rent land over here from a private landowner and make a comparison between that cost and what was paid, on the other hand, on the public lands.

Was I right about this?

Mr. HUGHES. No, sir.

Senator HANSEN. What did you say?

Mr. HUGHES. What I attempted to say, Senator Hansen, was that with respect to the calculations that entered into the \$1.23, the effort was made to fully appraise both the costs and the benefits of grazing on private lands on the one hand, and public lands on the other, both the costs and the benefits, and that the calculations were based on full consideration of those factors in our judgment. Then I hastened to add that the committee would certainly wish to look in more detail than I think is possible here at those calculations to see whether, to its satisfaction, and leaving out for the moment the question of permit granting, these cost factors and benefit factors were adequately considered. I believe they were.

Senator HANSEN. For the time being, leaving out the cost of the permit, you are saying a cost that any stockman would recognize as being a very important one in the overall number of dollars that will be required to put an outfit together is not necessarily a cost that you think has to be looked at.

Is that what you are saying?

Mr. HUGHES. What I think I said, Senator Hansen, and let me try and say it—

Mr. HANSEN. Let me ask you, if I could interrupt, Mr. Hughes, do you or do you not think that this \$14.41 per animal month that the BLM study shows is the typical average cost of owning a permit is a cost that has to be considered?

Mr. HUGHES. It is certainly a cost to the stockman who purchases the permit. Those stockmen who have purchased the permit have paid approximately that price on the average for it. However, it does not seem to me that that is a cost which should enter into the calculation of the value of the forage to the stockmen for the reasons that I tried to set forth in the dialog I had with the chairman.

Briefly, it seems to me that the inclusion of that cost in the calculation of the value of the grazing would perpetuate a situation in which the public at large does not receive the value of its resource to the grazer and would result therefore in the transfer of that value from the public which owns the property to the permitholder.

Senator HANSEN. If I understand you correctly, Mr. Hughes, you are saying that in the final analysis the reason that this cannot be considered is that it would transfer a public right in part at least to an individual. This would bring about a situation that we—

Mr. HUGHES. I was trying to say something I think somewhat broader than that, and dealing really with the question of equity, which the laws, either the Taylor Grazing Act or the independent offices appropriation bill of 1952, require us to consider. The equity, insofar as the owner of the property is concerned, the public, requires that fair market value be the criterion for payment to the public of the value of their property and that fair market value cannot be arrived at if the

existing situation is perpetuated. The existing situation by general admission results from the fact that the public has not received full value for its resource and the recognition of that situation, I think, is the recognition of it and therefore, adaptation to it is the fundamental question before this committee.

I certainly do not minimize the impact of the cost increase, and it is one, on the stockman who had paid for permits. There is no question of that. The question, I think, before the committee and the question which we struggled with throughout this long series of studies, was how to deal equitably and responsibly with this situation.

Senator HANSEN. Well now, I don't find the words "fair market value." I know you people used that phrase many times; but in the basic legislation and in the act of 1951 I don't find those words in there. I would point out further that when you talk about the public benefits, I hope you won't be so restricted in your vision as to miss the broader thrust of a much greater public benefit. That public benefit exists throughout the West and really has very little to do in the final analysis with what the Government gets in the way of a fee for the grass which grows annually on these ranges.

I was a county commissioner in a little western county in Wyoming a number of years ago when certain lands were placed in a national monument. It was proposed later that they be incorporated into a national park. There was legislation proposed and enacted which provided for a reimbursement or for a payment in lieu of taxes for the actual loss of dollars on the real estate and on the improvements that passed from private into public ownership. And only about a third of the total tax contribution that came about from the operation of livestock ranches in that area resulted from the application of an ad valorem levy on the land.

Two-thirds of it came from the presence of livestock. I think today if you want to consider the main public interest you can't avoid looking at these larger facts which I suggest you have not so far given due consideration to. If you put these people out of business, if you put more people out of business, if you add to the migration of people from rural areas into urban areas because they can't make a go of it, and I suggest the figures of the Department of Agriculture certainly are replete in supporting my contention that agriculture hasn't been the most profitable business, and I am quite sure Secretary Freeman would agree with that, then I think that we ought to give some consideration to what effect this will have upon a livestock operation.

I notice on page 4 of your printed statement you say:

With respect to impact on users, the Bureau of Land Management has over 14,000 grazing permittees and the Forest Service has about 15,000 in the areas affected. However, 52 percent of all of Bureau of Land Management forage is allotted to five percent of the permittees. Thirty percent of all Forest Service forage is allotted to eight percent of the permittees.

Thus, the impact of the fee increase will be borne primarily by the larger operators.

What is the purpose of this statement?

Mr. HUGHES. I hope, Senator, that the statement spoke for itself. I think the last sentence that you read is in a sense the key sentence, that generally speaking, and for the reasons I tried to outline in the earlier sentences, the major burden of the fee increase will fall on those who are grazing most of the cattle.

Senator HANSEN. Now, when you speak about the major burden, you mean the major burden dollarwise?

Mr. HUGHES. Yes, sir.

Senator HANSEN. Are you concerned about the impact that the grazing fee increase will have on the smaller operators, admittedly the more nearly marginal operators, those most likely first to go out of business?

Mr. HUGHES. Yes, sir.

Senator HANSEN. Will this have an effect on them?

Mr. HUGHES. I am certain that costs will have an effect on all of the operators, large and small.

Senator HANSEN. Would it be your judgment that a rather high percentage of the small operators may be those who have been in the business fewer than 35 years that have elapsed since the passage of the Taylor Grazing Act in 1934?

Mr. HUGHES. I don't really know, Senator Hansen. I don't know which are the older permit holders.

Senator HANSEN. Are you aware that the Department of Agriculture says that the return on investment for agriculture is about two percent of the total investment?

Mr. HUGHES. Yes, I am aware of that. I think the other factors need consideration in any economic appraisal of agriculture as a business, but I certainly am aware of those figures.

Senator HANSEN. I know it is within the province of your Bureau to consider various proposals that come before the Congress, including reclamation projects.

Does the action that you propose to take and that you have supported here today insofar as grazing fees are concerned, square with the action you would take in consideration of a Bureau project for a dam in determining cost-benefit ratio and costs of purchasing land for the project.

Mr. HUGHES. I think it does in general terms, Senator Hansen.

Senator HANSEN. In general terms. Now, in specific terms, can you point out to me when you consider a reclamation proposal, what costs—what real costs, costs comparable to the cost of owning a permit, are excluded from the cost-benefits ratio in a Bureau project.

Mr. HUGHES. Well, first of all, I don't think there are considerations quite like the permit value involved in the calculation of a benefits-cost ratio in a reclamation project. In a reclamation project, we do try and set forth on the one hand the benefits and on the other hand the costs. So far as I know in the reclamation situation, offhand here, and as we are talking, I am not aware of any situation in which you have a value built up in the private sector between two parties which reflects the underpricing of a public resource.

Senator HANSEN. Your contention is that this has been underpriced?

Mr. HUGHES. The grazing?

Senator HANSEN. Yes.

Mr. HUGHES. Yes, sir.

Senator HANSEN. The cost of the permit is excluded in your calculations and that is the basis on which you make that conclusion?

Mr. HUGHES. That is a part of the consideration. The question here is—

Senator HANSEN. According to the study, I think if the costs of these permits, as have been agreed upon when the study was undertaken, are included, then grazing on forest land apparently is in excess of the cost of grazing on privately owned land. With this 11-cent increase, that same condition obtains, or at least is in balance, on the BLM lands. Is that not right?

Mr. HUGHES. Your calculation is correct.

Senator HANSEN. I think it is yours, too, isn't it?

Mr. HUGHES. No, because I don't agree——

Senator HANSEN. Do you not support the studies jointly undertaken?

Mr. HUGHES. Oh, yes. Could I answer the other question?

Senator HANSEN. Yes.

Mr. HUGHES. I think the question we are debating is, who should receive the value of the public forage here? Should it be transferred from one permit holder to another in the form of a permit value or, by a gradual process as we have proposed, should the public itself receive the benefit of that forage value? And it seems to me that the costs and benefits, excluding the permit value, and the scheduling over a 10-year period of that adjustment, does give the opportunity on a graduated basis to recognize public value and forage value of that public resource.

Senator HANSEN. You spoke earlier about the amortization of these investments. Referring again to the basic language in the Taylor Grazing Act, to stabilize the industry, would it be your contention that if a person were able to retrieve his investment in a grazing permit over a period of years that he ought not to be expected to look to further use from that source of forage because he had amortized his investment?

Mr. HUGHES. No. I would think, rather, Senator, that he should expect thenceforth, at least, to pay fair market value for that permit.

Senator HANSEN. After it has been amortized.

Mr. HUGHES. No. I think the question of the timing of amortization, again, the timing of what special measures should be taken in recognition of past practice here is a difficult question. The special measure which we suggested was the 10-year phasing. But it seems to me proper that, as soon as possible, the public at large get the fair market value of its resource.

Senator HANSEN. Now, when you say as soon as possible, you are thinking in terms of a period of time having elapsed during which a particular user has enjoyed the benefits of this privilege? Is that what you are saying?

Mr. HUGHES. Yes. As I understand the situation, some permit holders have original permits, roughly a third.

Senator HANSEN. One out of three.

Mr. HUGHES. They paid nothing for the permit. They have received, in effect, a subsidy over an extended period of years by receiving a grazing privilege at less than market value, at least in most cases. Other users are differently situated. They have purchased permits from those who held them in the first case. Depending on when they made that purchase, and I suppose on other factors—I am not an expert—but depending on when they made that purchase, that permit had acquired certain value.

Now, in a business transaction, the individual who paid the permit price expected to extract the value from the permit over a period of years and it was this that I was referring to in the dialog with the chairman.

Senator HANSEN. Then are you suggesting that some permittees having enjoyed the privilege longer than others might reasonably be expected to pay a higher fee sooner than others?

Mr. HUGHES. No. I am sticking with the proposal before the committee, Senator. We feel that, given the history here and the difficulties of case-by-case handling of the situation, the proposal which the Secretary of Agriculture and the Secretary of the Interior, in their respective areas of responsibility, is a reasonable one for a staged adjustment of fees over a 10-year period.

Senator HANSEN. Now, I think the studies of the BLM and the Forest Service indicate that the BLM permits, and I will restrict my observation to that Bureau for the moment, are valued at \$14.41 per AUM. If the typical permittee is a family operation with a permit for 300 head with 800 AUM's, would you say that insofar as he is concerned, as an individual trying to come out in the black in his operation, it is of importance or it is of no importance to him whether he has to pay 6 percent interest on his investment in that permits on an AUM basis?

Mr. HUGHES. Well, a couple of points, Senator.

First, if I could refer to Mr. Rasmussen's statement, the wording there is a little bit different. He referred to the concentration of permits in the hands of relatively few ranchers. He then skipped, at least as I read his statement, to a somewhat different group and he talks not about an average ranch but a typical family ranch operating under the public domain in the Intermountain Region.

I don't know how typical this is across the board. As I read the statement, it is a typical ranch in that area and that the individual is the one who would be affected as you described. That is, his fee would be raised at the rate of \$70 a year, in round numbers, for a period of 10 years. But certainly, and to get to the essence of your question, the cost of the permit must be a factor in his business calculation.

Senator HANSEN. And interest on money is also a cost, is it not?

Mr. HUGHES. The interest on the money—

Senator HANSEN. On the money invested in the permit.

Mr. HUGHES. On the investment it is a cost.

Senator HANSEN. You recognize it is a cost.

Just to make one further point, and I appreciate that I have taken altogether too much time, Mr. Chairman, let me say this: I notice the Bureau of Reclamation is bringing a new factor or changed factor into their compilation in the cost-benefits ratio which recognizes the increase in interest costs. And I think to exclude interest costs as a part of the consideration in arriving at charges that are fair and equitable, the precise language in the 1951 statute, and hoping to stabilize the industry as was spelled out in the 1934 act certainly seems to me to be very germane.

Mr. HUGHES. Senator, I think the only response I can make is, it seems to me equitable, it seems to me rather not equitable to transfer income on the public domain from the public to the permit holder. I think that is the basis essentially for our feeling in this matter.

Senator HANSEN. I didn't know that had been suggested.

Mr. HUGHES. That is the effect of writing off the cost of the permit against the grazing fee.

Senator CHURCH. Any further questions of Mr. Hughes?

Senator FANNIN. Mr. Chairman—

Senator CHURCH. Senator Fannin.

Senator FANNIN. I would just like to ask a question regarding your statement to Senator Hansen that the fee increase over the 10 years is a reasonable one. I think you answered Senator Hansen that way. And also, in your statement you say:

In summary and conclusion, Mr. Chairman, we believe that the fee adjustment has been thoroughly considered and is soundly based.

Were you here this morning when Secretary Train testified?

Mr. HUGHES. Yes, sir.

Senator FANNIN. He said:

For our part the Department will keep this whole matter under review in the future. We will be evaluating and reviewing with great care the information that will be presented at both this hearing and the House Committee hearings next week.

I assume from that statement that he still wants to consider whether or not it is fair and equitable over the next 10 years. Do you agree with that?

Mr. HUGHES. I certainly do, Senator. It seems to me the fact that this is a graduated schedule of adjustments and that at least the first step—there seems to be some agreement even including permit value that the first step is warranted. It seems to me it is a situation in which it is obviously possible to consider the results of these hearings, which should be significant, and the results of court decisions. There are some court cases in litigation in at least a couple of the States, as I understand it. And hopefully the findings of the Public Land Law Review Commission will have been made public.

Senator FANNIN. Yes. Their recommendations should be taken into consideration, do you not agree?

Mr. HUGHES. All of these, it seems to me, can be considered in due course over the next year.

Senator FANNIN. Secretary Train said the subject is not closed. In other words, he apparently means that the subject is not closed forever.

Mr. HUGHES. That is correct.

Senator FANNIN. So, in making this decision many people are, I think, unjustly affected from the standpoint of their ability to obtain loans or to continue their programs. What effect do you think this has had as far as ranch sales and value is concerned? Of course, we haven't had very much time to consider this.

Mr. HUGHES. I just don't know, Senator. It seems to me on the other hand the public has been adversely affected over a long period of years. The public owns these lands and it is quite apparent that the public has not received the fair market value which, at least, I think they should receive.

Senator FANNIN. Of course, that is a matter of opinion because if we were to say that the hunter should pay for hunting on the public domain, we know it was not intended and should not be done, although

some may advocate it. I certainly do not. And we say others such as campers, should have the utilization of the land.

I think that, as the law is concerned, the intent of the Taylor Grazing Act was not that they would just try to get the maximum penny out of the land, but that it was a service contract and not for the purpose of exacting every dime that could be exacted.

Mr. HUGHES. It seems to me that equity here requires, in effect, that the public get substantially what the land would be worth in a normal business transaction.

Senator FANNIN. Well, how are you going to say a normal business transaction, when this is a specific transaction for a specific purpose.

Mr. HUGHES. That is precisely—

Senator FANNIN. And this land could not be utilized, in most instances, for other purposes.

Mr. HUGHES. It can be used for grazing comparable to what similar land could be used for if it were privately owned.

Senator FANNIN. Well, of course. It was brought out, and I don't want to review all of the statements made this morning, that the difference in public and private lands are considerable.

Mr. HUGHES. Yes, and the study attempted to take into account those differences. Whether it did or not adequately is something I think the committee will certainly want to investigate. But in our judgment, the study was a good study technically, in the sense that it did try to take into account these considerations.

Senator FANNIN. But I think it was established this morning that there is a great difference between having privacy of land and having land which is being utilized by the general public.

Mr. HUGHES. That is correct.

Senator FANNIN. We know in our State—I happen to be from Arizona—we have lands which the hunters go on, if they leave the gates open, or things like that. The more people who utilize the land, the more costly it is to the ranchers, so I think this all must be considered.

Mr. HUGHES. That is true.

Senator FANNIN. What I am concerned about is our competitive position with other countries in the world in producing beef. Are we being fair to the ranchers when the costs build up enough to remove them from possible competition with foreign countries?

Mr. HUGHES. Well, I think, Senator, you raise obviously a much broader and in some ways more difficult question. I have trouble enough with this one.

Senator FANNIN. But when you take into consideration your responsibilities and the position of the Bureau of the Budget, isn't it very important that the U.S. operators are able to compete in the world market?

Mr. HUGHES. I think it is important, Senator, but we are not really dealing with that question. This is a poor way in my judgment. If we elect to meet that problem, this is not the way to do it, as I see it.

Senator FANNIN. Well, I would like to have your other suggestions but we won't take the time. But I do want you to realize the importance of these ranchers being competitive and not being priced out of business.

I know, from being so informed by lending companies, that letters that have gone to some of the ranchers, that they are in serious difficulties as far as their loans are concerned. And this, to me, is vitally important and it is vitally important to the general public. Do you agree?

Mr. HUGHES. The health of any industry is important to all of us.

Senator FANNIN. This is what I hope will be considered, because if we had not made this for a 10-year period, and could have made it for just, say, the one year, and then determine as we go along what needs to be done, I think it would save many of these ranchers from financial difficulties. I still hope that can be done.

Would you have any objection to it being handled in that way from the Bureau of the Budget standpoint? In other words, removing the stipulation that this will be a definite 10-year period of increases?

Mr. HUGHES. Senator, we feel that all of the evidence that we have indicates to us that this is an equitable and a reasonable approach to a very difficult problem. We would like, therefore, to see the action that has been taken and the momentum gained to be continued.

Meanwhile, it seems to me it is perfectly feasible for this committee and for the other interested bodies that we have discussed to bring to bear whatever additional evidence which either supports or refutes the action taken, and to deal with it.

Senator FANNIN. What have we gained by having the 10-year increases announced at this time? We have the information from Secretary Train that the Department of the Interior will not necessarily carry through on a 10-year basis of increases.

Mr. HUGHES. What we have gained, it seems to me, Senator, is a start on a problem that has been very difficult, one which we have struggled with in one form or another for almost a decade, which needs to be dealt with in some fashion. The public interest here is important and public equity should be considered. All of the evidence we have is that this is a reasonable proposal given the obviously divergent interests and somewhat contesting interests of the public on the one hand and those who are using the public domain on the other. The ones who use the public domain want to use it at as reasonable rates as they can possibly get. The public is entitled, with the Government acting as its trustee, to get a fair market value for its properties.

Senator FANNIN. But I think you have to consider the public interest is not always adverse to the cattlemen's interests. They can have a mutual interest.

Mr. HUGHES. I quite agree, but this is an interest where the public and the cattlemen are in business with one another, and this is the kind of a situation where there needs to be a reconciliation of their respective business interests.

Senator FANNIN. Well, of course, what I am concerned about is that the cattlemen continue to operate and to produce competitively and can make a profit and avoid financial trouble. I know that they are in jeopardy now and, of course, they must borrow money on their ability to repay.

Mr. HUGHES. We are certainly interested—the question has come up before—we are certainly interested in that also. The whole proposal is based on the assumption that viable enterprises should con-

tinue on these lands, and it is our best judgment that that will be possible.

Senator FANNIN. But you agree that what Secretary Train said about re-evaluating this decision as the years go by—

Mr. HUGHES. We certainly do intend to take full account of these hearings and obviously we will have to take into account whatever court decisions are made, and the Public Land Law Review Commission is a major factor in the whole situation.

Senator FANNIN. Well, I hope that you understand my concern.

Mr. HUGHES. I do.

Senator FANNIN. We have placed a barrier on the cattleman's ability to finance his program because we have stated that these costs will increase over a period of years. Still I think the testimony indicates that we have not made that final determination and he is faced with indecision from the standpoint of his loans, and the financing of his operation. Do you understand why I am concerned in that regard?

Mr. HUGHES. I understand your statement. I think the regulation has to speak for itself. It does contemplate a 10-year scheduling of fees. The fact that those fees are scheduled, however, does permit a review of the situation.

Senator FANNIN. That is what I want to bring up. Why should we impose upon the cattlemen a position which I think is very detrimental to their financing when we don't even know whether it is going to be carried through or not?

Mr. HUGHES. To repeat my response, because it seems to me for 30 years or more the public has not been getting its equity in this situation.

Senator FANNIN. Well, I just do not believe you are answering the question, but I will not pursue it.

Thank you.

Senator CHURCH. Mr. Hughes, if we seem a bit perplexed at the adamancy with which you argue for what otherwise would be a sound proposition; namely, that the Federal Government should receive full market value and there should be no subsidy, it is only because we are so familiar with the very large subsidies that the Government is paying to many others involved in agriculture, as a matter of long-established legislative policy. So this is one of the factors we have in mind when we think about the survivability of the livestock industry.

I think of wheat, I think of cotton, I think of corn and tobacco. These programs are very large and provide an intentional public subsidy; yet here every effort has been made to eliminate every increment of subsidy which may have existed because of the low fees charged in previous years.

That is just one of the things we have to put into balance in looking at the overall picture. I am not asking for your comment here. It is just an observation I want to make in light of our familiarity with other agricultural programs.

If there are no further questions, thank you very much for your excellent testimony, Mr. Hughes.

(The prepared statement follows:)

STATEMENT OF PHILLIP S. HUGHES, DEPUTY DIRECTOR, BUREAU OF THE BUDGET

Mr. Chairman and Members of the Committee: I appreciate the opportunity to express the views of the Bureau of the Budget on the subject of grazing fees on public lands administered by the Departments of the Interior and Agriculture. The recent adjustments in these fees are of great significance, both to the affected permittees and to the owners of the public lands—the citizens of the United States.

I understand that representatives of the Bureau of Land Management of the Department of the Interior and the Forest Service of the Department of Agriculture are also appearing before the Subcommittee. The witnesses from these agencies are well qualified to review this complex subject in detail, and their statements competently summarize the events which led to the recent adjustment. These agencies are living daily with problems associated with management of the public lands, and are better qualified than I to deal with the specifics.

In the circumstances, I believe that my testimony will be most useful to the Committee if I review very briefly the Bureau of the Budget's involvement in grazing fee activities, and then briefly discuss what seem to me to be the three major questions before the Subcommittee.

With respect to the Bureau of the Budget's role and responsibility: Fees have been charged for grazing on the Bureau of Land Management lands for over three decades and on Forest Service lands for over six decades. These fees have been gradually increased over the years but do not represent anything comparable to those charged for private lands. In 1968, for example, the BLM fee was only thirty-three cents per animal unit month, about 1/5 of comparable private fees. Forest Service fees are somewhat higher.

Title V of the Act of August 31, 1951 states * * * "the head of each Federal agency is authorized by regulation to prescribe * * * such fees, charge, or price * * * to be fair and equitable. * * * " Bureau Circular No. A-25, issued pursuant to that Act, establishes Government-wide principles for the application of user charges and, together with the statute, provides a general foundation on which the recent actions on grazing fees were based. Briefly, the Circular provides that where federally owned resources are leased or sold, a fair market value return should be obtained.

Varying legal authorities, administrative objectives and policies, and historical conditions have resulted in the use by the Federal agencies of different methods to determine grazing fees. Widely varying fee levels have resulted on lands which otherwise have comparable grazing values. In most cases, the fees charged do not reflect the fair market value of the grazing use privilege. Audit reports of the General Accounting Office have noted these inconsistencies and have been critical of fee levels.

In mid-1960, the Bureau of the Budget, with the participation of the Departments of Interior and Agriculture, undertook a broad study covering the entire area of user charges as they related to natural resources, including the grazing fees. Since that date the subject of grazing fees has been under almost continuous study and review, with active Bureau of the Budget participation.

In summary, with respect to grazing fees, as in other areas of management of Federal property and resources, the Bureau of the Budget has attempted to deal rationally with this issue by supporting a fair market value return from private use of these resources. This objective has wide general support, but we encounter strong differences of view in trying to apply the general principle to specific areas. Grazing fees obviously have not been an exception.

In addition to pressing for uniformity and equity in grazing fees, the Bureau of the Budget's Office of Statistical Standards has given technical advice in the conduct of various studies and surveys made and in the analysis of results. We believe that this participation has helped to assure the validity of results and has provided thereby a sounder base for the course of action now underway.

Now, with respect to questions confronting the Committee: We believe the three major questions are: (1) the validity of the data upon which were based the administrative actions increasing grazing fees and making them more uniform; (2) the question of whether the "permit value" should be considered in determining the grazing fee; and (3) the impact of the grazing fee adjustments on the users.

Taking these questions in order, we believe that the history of this matter makes it clear that the action taken was based on sound information and was neither hasty nor uninformed. Studies of the subject go back almost a decade. The record clearly shows that the combined expertise of the Departments of

Agriculture and Interior, the Bureau of the Budget, the Western universities and private management firms has been applied conscientiously and repeatedly. Information from competitive bid transactions and from negotiations between private parties supports the reasonableness of the fees being established. Whatever the policy issues, we believe that the validity of basic data should not be an issue at this point in time.

"Permit value" has been a troublesome question constantly in the minds of those working on the grazing fee problem. Public land grazing permits have, through private land and livestock transactions, acquired a "permit value." However, these are private transactions which do not involve or benefit the Federal Government. Further, it seems clear that allowing the permittees a grazing fee credit on the "permit value" transfers the return on the property to the permittee from the public owners. Thus, if credit were given for all or some portion of the "permit value" in establishing grazing fees, the permittee in effect would be given a proprietary interest in the public lands. However, the Taylor Grazing Act says that "issuance of permit—shall not create any right, title, interest, or estate in or to the lands." And court decisions have been consistent on this point. We understand that new court cases are testing this viewpoint and legal interpretation again.

With respect to impact on users: The Bureau of Land Management has over 14,000 grazing permittees and the Forest Service has about 15,000 in the areas affected. However, 52% of all Bureau of Land Management forage is allotted to 5% of the permittees. Thirty percent of all Forest Service forage is allotted to 8% of the permittees. Thus, the impact of the fee increase will be borne primarily by the larger operators.

Overall, according to a USDA study, the increase in grazing fees over the 10-year period approximates the impact of a one cent per pound drop in livestock prices. We have not been unmindful of the impact of the fee increase in individual cases and recognize that increases affect the cost of doing business. However, we believe that the 10-year phasing of the increase greatly facilitates adjustment to it, and that considerations of equity, uniformity, law, and sound management of public property all required that the fee structure be changed.

In summary and conclusion, Mr. Chairman, we believe that the fee adjustment has been thoroughly considered and is soundly based. Litigation now underway will test its legal aspects. The opportunity for public review has been substantial and the agencies concerned have made a sustained attempt to inform the affected graziers and the public at large. Increases in grazing fees by definition are increases in the cost of raising cattle. However, the cost increases are necessary to bring about equity and uniformity and, in our view, represent a reasonable and fair return to the public on the use of its property. We applauded the actions of the Secretaries concerned in proceeding with the increase and will join them in keeping the whole matter under review and taking full account of information which arises from legal proceedings, congressional hearings, and recommendations of the Public Land Law Review Commission.

Senator CHURCH. I have to apologize to the many citizens who have come so far to the Capital to testify because it doesn't look like we are going to get to the testimony of some of those who are here until tomorrow. We still have one more Government witness and he is next scheduled to testify. He has been here all day. That is Ed Cliff, the Chief of the U.S. Forest Service in the Department of Agriculture. Ed, would you please come up and give us the benefit of your testimony.

STATEMENT OF DR. EDWARD P. CLIFF, CHIEF, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Dr. CLIFF. Thank you, Mr. Chairman, members of the committee.

The subject of your hearings today is a very important development and a basic issue in the management of public range resources. I am happy to have this opportunity to explain the new grazing fee regula-

tions of the Secretary of Agriculture, and to discuss their effect on national forest grazing permittees.

From the birth of the Forest Service in the Department of Agriculture in 1905, livestock grazing has been a recognized use of the national forests. In his famous letter to the Forest Service on the day of its transfer to USDA, Secretary of Agriculture James Wilson gave Gifford Pinchot our original directives for range management.

The Secretary said:

You will see to it that the water, wood, and forage on the reserves are conserved and wisely used. * * * The continued prosperity of the agricultural, lumbering, mining, and livestock interests is directly dependent upon a permanent and accessible supply of water, wood, and forage. * * *

Today, nationwide there are 18,300 grazing permits for 1.4 million head of cattle and 2.3 million sheep on national forest system ranges. This involves over 106 million acres in 11,670 separate allotments. The regulations you are considering today cover about 15,000 of these permits, for 1.2 million head of cattle and 2.2 million sheep in six western national forest regions.

The Forest Service first charged for the privilege of grazing use on the national forests—then called forest reserves—in 1906. The minimum fees were based on “reasonableness,” depending on the advantages and location of each reserve. The first regulation also provided for possible fee increases based on markets, transportation, and demand for permits.

In 1931, the method for calculating grazing fees was changed. The change was based on studies of national forest grazing values conducted during the 1920’s. Factors such as accessibility, forage quality, water resources, proximity to market, and livestock handling costs were considered. The basic premise of the studies was that private land data on range values, or rental rates on private rangelands, could be used as a basis for determining the value of national forest range.

Until this year national forest grazing fees have been based on the fee structure adopted in 1931. Base fees were established in 1931 and were adjusted annually by formulas expressing the relationship between the previous year’s average price for beef cattle or lambs in the Western States and prices in established base periods. The 1931 base fees varied from area to area, depending on the local private range lease rates and other local factors.

Over the years, it became clear that national forest grazing fees were consistently lower than private lease rates on private land having comparable grazing values. In 1951, the Congress—Independent Offices Appropriation Act of 1952—directed each Federal agency to prescribe fees or charges that are fair and equitable and as uniform as practicable among the agencies.

After a 1958 audit report the Comptroller General recommended in 1959 that fair compensation be obtained for use of Federal lands. The Comptroller General also recommended more consistency in grazing fees charged by various Federal agencies, and a joint agency study to arrive at a uniform fees system.

Also in 1959, the Bureau of the Budget issued Circular A-25, pursuant to the 1951 act cited above, establishing the basic principle that where federally owned resources are leased, a fair market value should be obtained for them.

In 1960, representatives of the Departments of Agriculture, Defense, and Interior formed a task force, now known as the Interdepartmental Grazing Fees Committee, to study user charges for livestock grazing on all Federal lands. This Committee considered a more uniform approach to fee establishment among various Federal agencies. At the same time, the Bureau of the Budget began a study of charges for the use of all federally owned natural resources, including grazing.

In 1964, the Bureau of the Budget issued the study entitled "Natural Resources User Charges Study." That study, based upon the guiding principles in Circular A-25, outlined additional guidelines for establishing grazing fees:

1. A uniform basis should be used by all Federal agencies in establishing fees;
2. Fees should be based on the economic value of the use of public lands to the users; and
3. Economic value should be set by an appraisal that will provide a fair return to the Government and equitable treatment to the users.

In 1961, the Forest Service and Bureau of Land Management began their joint program of grazing fee studies. This consisted of (1) background studies to explore alternatives for determining grazing values; (2) development of model for estimating values and fee levels; (3) studies to determine fee impacts, and (4) a reevaluation of Forest Service and BLM fee structures.

The background studies were conducted by the Economic Research Service and several Western State universities. Their purpose was to develop an economic framework for determination of public land grazing values, and they very much enlarged our knowledge of the economics of range livestock production.

Building on the concepts developed by the background studies, we initiated a project with Utah State University to develop a model and computer program to estimate grazing value, establish fee levels, and define fee areas. The Utah State study and model confirmed a basic premise, that the economic principles of supply and demand operate in a competitive range market to establish range forage prices, just as they do for products in other markets.

Putting this another way, the total costs for using comparable public and private ranges should be equal. If there is a difference, ranchers will try to use the lower cost forage. Therefore, the value of public range forage use for grazing is equal to the rental value of private pastures leased for grazing, after adjusting for differences in the services provided on private lands but which are not provided on public grazing lands.

The Utah State study pointed out that the present fee for national forest range is not free to change in a range market. If the fee is lower than that charged for other ranges, national forest grazing privileges will be in high demand and have to be rationed out. One result is that a variable "permit value" has evolved for the limited grazing privileges. I will discuss the implications of this permit value as we go on.

After we reviewed the Utah State study results, our next step was

a major data collection project. The Statistical Reporting Service of the Department of Agriculture undertook the project for the Forest Service and BLM. The project was designed to provide data necessary to estimate values on some 98 national forests, 19 national grasslands, and 48 Bureau of Land Management grazing districts in the Western States as a basis for evaluating current fee structures.

Some 10,000 individuals were interviewed and more than 14,000 questionnaires were collected. These include Forest Service and BLM grazing permittees, and ranchers who lease private grazing lands. Using procedures agreed to by the Forest Service, Bureau of Land Management, Bureau of the Budget and the livestock industry, SRS gathered data on nonfee costs of using public and private lands, lease rates on private grazing lands, and the market value placed by permittees on grazing permits.

I want to recognize here and commend the way the livestock industry helped SRS and us in carrying out this survey. The industry participated in design of the study. Thousands of ranchers willingly opened their doors and business records to SRS workers. The industry as a whole voiced wide public support for our effort and the approach used. This cooperative spirit is the strong foundation for the significance and value of the total grazing fee study.

We began analysis of the 1966 survey data in 1967. At a meeting with livestock industry representatives in October of 1967, we discussed the preliminary results of our evaluations. This was the first of a series of conferences with the industry and with concerned organizations such as the Secretary of Agriculture's Advisory Committee on Multiple Use of the National Forests, the American Farm Bureau Federation, the National Association of Soil and Water Conservation Districts, and several national conservation organizations. Our intent throughout the study was to keep these groups well informed and to seriously weigh their comments and recommendations.

In the final stages of the fee study program, an interagency technical committee was formed to analyze the survey data. Composed of representatives from Statistical Research Service, Economic Research Service, the Forest Service, and BLM and Bureau of the Budget ex officio, this committee developed the following conclusions in a November 1968 report:

1. Forest Service and Bureau of Land Management data can be combined. The survey data does not provide a basis for differential fees between the Forest Service and Bureau of Land Management.

2. The cost data collected in the 1966 Western range survey will statistically support only one base fee in the West. This conclusion was based on a technical analysis of the variation of cost among individual grazing allotments.

3. An adjusted western-wide difference between private lease rates and public costs, excluding the grazing fee, was \$1.23 per animal unit month for both cattle and sheep. A table showing the breakdown of these costs is attached at the end of this statement.

(The table referred to follows:)

SUMMARY OF COMBINED AVERAGE PUBLIC COSTS AND PRIVATE COSTS PER ANIMAL UNIT MONTH, 1966¹

| Itemized costs | Cattle | | Sheep | |
|---|-----------------------|---------------|-----------------------|---------------|
| | Combined public costs | Private costs | Combined public costs | Private costs |
| 1. Lost animals..... | \$0.60 | \$0.37 | \$0.70 | \$0.65 |
| 2. Association fee..... | .08 | | .04 | |
| 3. Veterinary..... | .11 | .13 | .11 | .11 |
| 4. Moving livestock to and from allotments..... | .24 | .25 | .42 | .38 |
| 5. Hearing..... | .46 | .19 | 1.33 | 1.16 |
| 6. Salting and feeding..... | .56 | .83 | .55 | .45 |
| 7. Travel to and from allotments..... | .32 | .25 | .49 | .43 |
| 8. Water..... | .08 | .06 | .15 | .16 |
| 9. Horse..... | .16 | .10 | .16 | .07 |
| 10. Fence maintenance..... | .24 | .25 | .09 | .15 |
| 11. Water maintenance..... | .19 | .15 | .11 | .09 |
| 12. Development depreciation..... | .11 | .03 | .09 | .02 |
| 13. Other costs..... | .13 | .14 | .29 | .22 |
| 14. Private lease rate..... | | 1.79 | | 1.77 |
| Total costs..... | 3.28 | 4.54 | 4.53 | 5.66 |
| Difference..... | | ±1.26 | | ±1.13 |
| Weighted average..... | | | 1.23 | |

¹ Developed from data analysis of the grazing fees technical committee, Nov. 29, 1968.² The difference weighted by corresponding AUM's results in weighted average of \$1.23.

Note: The average permit value assigned by permittees for Forest Service cattle permits was \$25 per AUM, as determined from the survey.

Dr. CLIFF. These conclusions provided the basis for establishing fair market value of grazing on public lands in the West.

The Secretary's January 14, 1969, decision was made following more than 9 years of concentrated studies. Viewpoints from more than 1,000 respondents to the November 14, 1968, proposal, including our grazing advisory boards, were carefully considered. The new regulation calls for grazing fees on the national forests in the Western States to be increased from current level to fair market value over a period of 10 years. The regulations reflect a number of policy determinations, and a measure to ease the potential impact of increased fees. I would like to discuss these considerations with you.

But first we need to briefly discuss the matter of grazing permit and what it provides.

A Forest Service grazing permit grants a privilege to use the national forest land for livestock grazing. It stipulates conditions under which grazing may take place. The privilege granted by the permit is a personal one and applies to the holder alone. Permits are issued for a term of 10 years and are validated annually upon payment of fees.

In order to qualify for a Forest Service grazing permit, a rancher must own base property and livestock. Permits cannot be exchanged directly between any two individuals. If a permittee no longer wants to graze livestock upon the national forest, he relinquishes his grazing privilege by waiving his permit back to the Government. An interested second party may apply for the grazing represented by the waived permit if he in fact has purchased either the land or livestock owned by the previous permittee.

Since grazing fees charged by the Forest Service have been less than the market value of the range resource, the prospective permittee usually has been willing to pay a premium to acquire the land or livestock previously associated with the permit. According to the

theory behind the "model" used in analyzing the grazing fees data, as fees are raised from their present levels to fair market value, the value commonly called "permit value" will be reduced. Theoretically, when fees are at fair market value, the so-called "permit value" will be reduced to zero.

The livestock industry, in a statement of position of the American National Cattlemen's Association and the National Woolgrower's Association, argues that capitalized permit values should be considered a cost to the public land grazers and should be included as a cost in calculating the fair market value of public forage. The result of this would be that the grazing fee would be left essentially unchanged at this time.

We do not agree with this. We believe the concepts on which the Secretary's regulations are based are sound and are good public policy. Under these concepts, the Forest Service has historically maintained that livestock grazing on the National Forests is a privilege and not a right. Beginning in 1905, the then Secretary's Regulation 10 spoke of grazing as a "privilege." Court cases have substantiated the position that grazing is a privilege and not a right and that purported transfers of national forest grazing privileges by permittees are illegal and unenforceable.

We strongly believe that no individual or groups of individuals who use national forest resources to support their livelihood should be allowed to gain a special interest. The national forests are public lands and public resources. Areas used for grazing often serve several other purposes at the same time—such as fish and wildlife habitat, watershed protection, timber production, or outdoor recreation. Demands from all groups and interests for these resource uses and benefits are growing apace. We strongly believe that the best way to meet these demands is to protect the full public interest in the National Forest System.

Granting special rights to one class of users will erode the capacity of public lands to serve many purposes. One hundred and six million acres of the 187 million-acre National Forest System are now included in grazing allotments. If grazers are given rights to forage resources of these areas, other resource users cannot expect a level of benefits equal to that they now provide. Grazing would have to take priority if other resource uses interfered. So the ability of the National Forest System to provide a balanced output of resources and services would be seriously impaired.

In essence, we reached agreement with the livestock industry and interested groups on all issues but one in connection with the study. This basic issue turned on how to treat the capitalized "permit value."

Recognition of permit value as a cost of grazing on public lands for purposes of calculating fee levels as proposed by the livestock industry would tend very strongly to convert national forest grazing privileges to grazing rights.

Including the permit value as a deductible cost in the fee calculation would in effect be compensating permittees for: (1) that portion of the value they have paid to private individuals, and (2) that portion of the value that has developed through appreciation over time as the gap between the fee charged and the fair market value widened.

It logically follows from this that permittees could demand compensation for any portion of a grazing permit value that is no longer

available to them because of Forest Service resource management actions affecting the size of a permit. If this were done, the net effect would be that the United States would have to reimburse a permittee in order to take steps to protect or develop range and other public National Forest System resources.

We recognize very clearly that the grazing fee regulations and the new fee structure will have some impacts. Our overriding concern has been to sympathetically and responsibly weigh these impacts in deciding how to implement the results of the grazing fee studies and analyses. However, I should also point out that the impacts are a result of value which ranchers have built up among themselves. They have made no payment for the value to the real owner of the resource upon which it is based.

This value has come into existence primarily because the fees which have been paid to the Government for the use of the resource have been less than the fair market value of that use.

Actually, more than half of the present permittees acquired their grazing permits prior to 1950 and have held them at least 20 years. Values placed on permits then were much lower than today, and present values are based on significant appreciation. Also many permittees have in effect amortized out permit values by paying fees over many years which were less than the fair market value.

We have undertaken to minimize the impacts of our grazing fee regulations on permittees and communities.

The increase to the fair market value is not being made all at once. It is being spread out over a 10-year period. This will give the permittees ample opportunity to adjust their operations to the higher fee level.

Within available funds we are striving to increase the input for conservation, development and use of national forest system ranges especially where economic or social problems exist. This increased activity provides jobs, additional grazing, and better resource conservation and stewardship.

We will continue the longstanding Forest Service practice of issuing no charge grazing permits for noncommercial livestock up to 10 head by resident farmers and ranchers. We recognize the problem of small operators in low-income areas where opportunities for off-ranch incomes are limited. Further consideration will be given to this as a separate matter apart from the overall fee determination.

The questions which underlie the new grazing fee regulations are complex, and reasonable arguments can be made to support the many sides involved. As we see it, the issue is not whether fair market value is being paid for grazing on public lands. It is to whom it is being paid.

Today the value of public forage resources is supporting money returns to selected private individuals. The Government is not being paid fair market value.

The fee increase does not affect the supply of grazing. Permit tenure is not affected and we will keep on issuing grazing permits for the amount of grazing that is available for use by livestock.

Our actions on grazing fees are based on fairness to the many ranchers who cannot obtain the privilege of grazing public lands. They are based on the principle that the American people should receive the full value for the use of resources they all own. We are confident that our

information is sound and supports our approach; that the new system is consistent with our basic responsibilities as a public agency.

Thank you, Mr. Chairman.

Senator HANSEN (presiding). Thank you, Dr. Cliff. On February 14, 1967, you addressed the American Society of Range Management, and I would like to quote, if I may, part of the statement you made at that time.

I feel strongly that in applying this new knowledge in setting grazing fees we should also be weighing the rural economic needs, community stability, tenure of ranch ownership and other factors. In other words, I believe that the levels of grazing fees should be tailored to fit regional and special situations and tempered to reflect much more than simply the generation of revenue for the Federal Treasury.

Do you still feel that way?

Dr. CLIFF. Yes, I do.

Senator HANSEN. Is it your judgment that the manner in which the grazing fee increases were arrived at contemplates these various considerations that you enunciated at that time?

Dr. CLIFF. Yes. We considered all of these things. We did not come out with a variable fee structure fitted to the quality and accessibility of forage in various places as I indicated I thought should be done there. The statistical analysis of our basic data, according to the very competent people who made the analysis, didn't support variable fees by areas.

We intend as we go forward to give further consideration to these factors and try to see if they support variation of fees to vary with the quality of forage and value of forage. We think the base fee which was developed as a result of these studies is very well supported by the basic data and we think it is a good place to start.

As to the maximum revenue, Senator, I think if we were to seek maximum revenue, the way to do that would be to put our forage resources on a bid basis. That is the way we would get the maximum revenue.

This was considered early in the deliberations of the Interdepartmental Committee and was rejected as the way to set grazing fees for BLM and Forest Service lands. You recognize, of course, that bid systems are in effect on lands administered for the Indians by the Indian Bureau, on military lands, on some wildlife refuges, and some other categories of Federal lands. And that system will be continued on those lands.

The fees on those lands which are established by those practices are considerably higher than the fees that we are proposing.

Senator HANSEN. Dr. Cliff, on page 10 of your prepared statement, the last full paragraph, you say:

The questions which underlie the new grazing fee regulations are complex, and reasonable arguments can be made to support the many sides involved. As we see it, the issue is not whether fair market value is being paid for grazing on public lands. It is to whom it is being paid.

Would it be correct to assume that you do not argue with the contention made by the stockmen that the interest on the permit value is one of the costs which they must contemplate and meet in their operations if they are going to stay in business. But simply, insofar as your responsibilities as the Chief Executive Officer for the Forest Service are concerned, in good conscience and in conformity with your

concept and the legislative directives, you cannot contemplate this cost; is that correct?

Dr. CLIFF. That is correct. I don't think there is any question that these costs, the cost of interest on investments that have been made as bonus payments to the seller of ranch properties, is a cost. It is a cost which is made in deals between two private individuals in which the Government didn't participate and had no control over. We feel that if we should recognize this kind of a transaction as a basis for establishing grazing fees, that we would be in fact recognizing the purchase and sale of public resources by private individuals and the gaining of what might amount to a private interest in public resources. And this is our main concern.

This is, Senator, the only major point of difference that we have found between us and the livestock industry. It is an honest point of difference. It is based on what I think is sound public policy as a responsible administrator.

Senator HANSEN. Dr. Cliff, I do have one or two further questions that relate to some user fees that I think have been instituted, or will be this year, by the Forest Service. This user fee relates to the use by, for lack of a better term, dude ranchers and others in taking people on tours over forest lands. But if I may, before asking those questions, let me call upon the senior Senator from Arizona.

Senator FANNIN. Thank you, Mr. Chairman.

Dr. Cliff, in your statement you covered the Secretary's decision of January 14 of this year, and you review it on page 7, at the beginning of the third line. You talk about, "a Forest Service grazing permit grants a privilege to use the National forest land for livestock grazing. Permits are issued for a term of 10 years and are validated annually upon payment of fees." Then you continue with the qualifications and you say, "Permits cannot be exchanged directly between any two individuals."

Is this a change of policy?

Dr. CLIFF. No, sir. That has been our basic policy since the beginning of the Forest Service.

Senator FANNIN. Haven't you had a cooperative management plan for years?

Dr. CLIFF. We had a—

Senator FANNIN. A cooperative management plan where you had a different program than what you have today?

Dr. CLIFF. On this particular point there has been no change from the beginning. We have always insisted that these were privileges, that they can only be given by the Government. They can't be exchanged by sale and purchase between two individuals. They can be brought about only by relinquishment back to the Government by the permittee and then the Government in turn gives a new permit to the one who meets the qualifications.

Senator FANNIN. Your people worked out some of these programs, and didn't they cooperate with the ranchers involved and really involve themselves in this program?

Dr. CLIFF. We have many cooperative arrangements with the ranchers in the development of management plans for these allotments. We have cooperative agreements with associations for grazing permittees.

Senator FANNIN. Well, of course, you have now what you call intensive management planning.

Dr. CLIFF. Oh, yes. What you are talking about is our efforts to intensive range management to improve the range, to install improved systems of management with the objective of getting more value, more livestock grazing from the ranges, and we do enter into cooperative agreements with the permittees, either associations or individual permittees, for the management of these ranges under improved management systems.

Senator FANNIN. But you do not permit the sale of a permit from one rancher to another?

Dr. CLIFF. Not the direct sale, no, sir.

Senator FANNIN. And you don't—

Dr. CLIFF. But we recognize that the ranchers, when they arrange for sale of ranches, that they enter into agreements which involve the paying of a bonus for the ranch property because it does have a grazing permit associated, which can be waived to the government and then be issued to a qualified applicant.

Senator FANNIN. And you do not prohibit this being done or do not discourage it?

Dr. CLIFF. There is no way that we can interfere with private transactions between two individuals that are buying and selling livestock or ranches that I know of, but we have prohibited the outright sale of grazing permits. We always have, and if we found people who were trying to make outright sales without bona fide transfers of base property, or permitted livestock, we have canceled the permit as a violation of the regulations.

Senator FANNIN. I am trying to determine how a rancher can recover if you insist on the particular language you have. You say that has been in effect for years and still I know of a transaction that has been consummated on a different basis. That is why I am asking these questions.

Dr. CLIFF. Well, our policy does provide for the permit to be waived and then a permit issued to a rancher who purchases the base property or livestock from a previous permittee. He waives his permit to the Government and the new permittee makes an application for the permit, and if he meets the qualifications, we issue him a permit.

Senator FANNIN. You were speaking of the technical committee and what they concluded. Isn't it right that the technical committee concluded that there is no statistical support for variable fees?

Dr. CLIFF. That is correct, at this time.

Senator FANNIN. Because of the great differences in certain areas of the country or even within the same area?

Dr. CLIFF. There was great variation, Senator, in the same area, same parts of the country, between operating costs of various allotments, and there was quite a bit of variation between different areas.

The statistical analysis didn't reveal that there was a consistent enough relationship by areas to justify at this time a variable fee structure.

Senator FANNIN. On another subject, I think you were here when I asked Director Hughes about the problems that the ranchers may have as far as loans are concerned because of the increase over a period of 10 years without it being definite whether or not this will stay in

effect during that 10-year period. I asked why it would be necessary to place this barrier on the rancher if they are not sure it is going to be followed.

Dr. CLIFF. Well, Senator, we have been working at this very difficult problem for 10 years or more. We have made detailed surveys. We have obtained the best kind of information that we have been able to get. We worked closely with the stockmen at all stages in this.

We think the information is good and justifies the action. The only point of difference is on how to treat this permit value, and we saw no point in prolonging a decision that seems necessary to make to straighten out what I think is a very serious public land policy matter.

This wasn't made precipitously. Our first target date was 1966. We didn't have all the studies finished in the fall of 1966 and the target date was advanced to 1967.

The Forest Service felt it was ready to go ahead in the fall of 1967 after discussing the proposals with the livestock industry. The Interior Department was not quite ready. So the decision to move ahead was advanced another year, and it had to be announced early enough in the fall to permit public review and go into effect if it was going to be in time for the billing of grazing fees this year.

Personally I am glad that the issue has come to a head and that we have got this far along with it. As Mr. Hughes testified, and as Secretary Train testified, of course we will consider whatever comes out of these hearings and out of the lawsuits and out of the Public Land Law Review Commission, but from where I sit, this is something that needs to be done.

This situation of permit values, if you will let me philosophize just a little bit, is creating a problem that is going to get worse rather than better unless it is dealt with.

In my testimony I pointed out that there had been considerable appreciation in these permit values in the past years. The survey questionnaires that were sent out asked those permittees who had "purchased a permit" in the last 5 years to state what investment he had made, so the figures we have been using represent the average permit value for the past 5 years only.

Now, if you go back to 1950, more than half of our permittees have had their permits since before 1950. The so-called permit values were much less then. There has been an inflation. So the \$14 and some odd cents for BLM permits doesn't represent the investment of all the permittees. It is only those who have made investment in the last 5 years, not those who got grants, not those who have had their permits for a considerable time.

The same thing is true for the Forest Service permittees on the investments that they have made in permits. We think one of the primary reasons they have been able to do this is because they have been paying low grazing fees in the past 5 years which amounts to \$25 per AUM on the national forests for cattle, about \$19 for sheep per AUM.

Senator HANSEN. May I interrupt you just a minute, Dr. Cliff? I didn't catch what you said. Will you repeat that?

Dr. CLIFF. The permit value, as determined by this survey for cattle on national forests, is the amount that the permittees have told us they have invested in—the transactions taking place in the past 5 years,

\$25 per AUM. For sheep it is about \$19 counting that five sheep equal one cow.

If as the livestock people proposed we allowed a 6-percent interest rate on the \$25 investment, the interest would be \$1.50 and we are proposing to charge \$1.23. If you carry this to its logical conclusion, we would be owing the livestock man for grazing on the national forests.

These grazing fee values are going to continue to appreciate in value as general land values go up unless something is done to either stabilize them or recapture that value for the public.

Now, just carrying this another step to show the complexity of it, and the impossibility of recognizing these interest rates, the survey showed that the permit value ranged all the way from about \$2 per AUM to \$72. Now, I can't explain why anybody would pay \$72, but this is what the record showed.

Well, if you allow an interest rate on \$72, you see what that would do, what that would imply. Two ranchers could get together and buy or sell a ranch and enter into any kind of a deal that meets their objectives. Some of the objectives of buying these places are not too clear, but there have been some fantastic prices paid, and if we recognize this interest rate as an operating cost for the purpose of calculating fees, and did it consistently, we soon could be in a position where the Government isn't getting anything for grazing fees on the national forests.

If we recognized it at 6 percent now on the \$25 value established by the committee, we wouldn't be getting anything for a grazing fee.

To me we have reached a crossroads where we must get this back on the track of getting a fair market value to the public. We should do it over a period of time which will ease the shock, and I agree it will be a shock, on the permittee.

And if I might just take one more moment for an observation, I think the sooner we get this done, the better position the livestock industry will be in to continue use of the national forests.

Right now there is great competition for the use of these forests for various purposes. Uses are not always compatible. There are critics who point at the livestock industry and say you are getting this grazing at a subsidy, or at too cheap a fee.

To me, I want to see livestock grazing continue. I think it is important. I think it is important to the West and I think the sooner they get their house in order and can say they are paying to the Government, not to each other but to the Government, the fair market value, then the better position they are going to be in to continue grazing on these public ranges. I think this is important.

With all the things that are happening in this country, expansion of recreation, the great sentiment for wilderness areas, for preservation, for nonuse of resources, the stockmen will be in a lot better shape even though it is going to be an agonizing period ahead to make this adjustment and get on the basis of paying a fair market value for grazing. Then the stockman will not be as vulnerable to criticism.

Senator FANNIN. Dr. Cliff, one thing I think we agree on, we want the rancher to make a profit.

Dr. CLIFF. Yes, sir.

Senator FANNIN. He must make a profit or certainly he can't be financed. In other words, if he can't get properly refinanced, his costs are up. If he doesn't have the proper equipment or do what is necessary to maintain his ranch, he has problems.

The University of Arizona study conducted for the state department of property valuation for property tax purposes—and this will be in the record at a later time, a complete explanation of it—shows the net profit statewide average for stockmen was \$1.92 per animal unit. That is for 12 months. That doesn't indicate that those ranchers would be in a position to have any increases.

Dr. CLIFF. Senator, I guess you can find as many different situations as you have different ranchers in their ability to get loans, furnish collateral. Ranchers do have livestock that they can use as collateral. They have base ranch property. And according to the testimony that came out of the study, some lending institutions have recognized the so-called permit value as collateral.

Now, the first year he is not going to lose much of that permit value but in 10 years' time theoretically it would diminish. So I can't judge, I don't know the facts well enough to know whether they can get adequate loans to carry on their operations from year to year.

These are operating loans, I presume. I imagine it could curtail their ability to get loans. Let me put it this way: We sent questionnaires to 218 lending agencies, lending institutions, and asked them if they had made loans using permit value as collateral. We got responses as I remember, from somewhere around 140. Of these, 47 said they had taken into consideration the permit value in making loans, recognizing it as collateral.

So, I don't know what the true interpretation of that is, but the indication is that all banking institutions are not doing this. They are using the real property as collateral.

Senator FANNIN. I think in many cases that may be true, but in most instances the overall operation would be the decisionmaking process.

Dr. CLIFF. Right. And, of course, these permits will continue. The matter of tenure is of great importance. I think we have a good history of tenure of operations. This is improving. Our permitted number of livestock have stabilized. We are increasing in some cases where we have range improvement programs. I think the mere fact that a person has a grazing permit and has reasonable tenure ought to be a pretty good recommendation to a banker even though he didn't consider the permit value that is arrived at in the private transaction.

Senator FANNIN. I agree if he had a reasonable tenure that is one matter of consideration, but where he does not know, because of these increases in the grazing fee costs, that he is going to get a higher price for his beef as time goes along, he is still in unfair competition not only in this country, but also in competition with other parts of the world.

What worries me is the need to maintain these industries and I think we have an obligation as a government to help industries. I am afraid we are not taking that into consideration in making decisions whereby we are increasing grazing fees over a 10-year period. That is my vital concern. I do not see why we must have this set for a 10-year period when we are not sure that it is going to remain on that

basis. I think it has caused a great deal of disruption as far as the financing is concerned, and I think will continue to do so. But I appreciate your comments.

Dr. CLIFF. Thank you, Senator Fannin.

Senator HANSEN. Thank you, Senator Fannin.

In this regard I am going to be reading from the grazing fees report updated to January 15, 1969, Dr. Cliff, wherein this was undertaken by the Forest Service. I quote from page 11, the last two full paragraphs on that page. The page is entitled "Considerations in a Decision on Grazing fees," and I read you from the report.

The disposition of the capitalized permit value is a very real consideration. This value is estimated at \$178 million.

That is on page 11, next to the last paragraph:

It is used as partial collateral for long-term mortgages having an estimated face value of \$330 million. A fee increase plus the loss of the permit value would affect the rancher and the lending institution in two ways.

First, the increased costs without compensating returns would leave the permittee in a much weaker position to pay off his mortgage. Secondly, the loss of permit value would remove an asset previously used as collateral. In either case the permittee would experience difficulty in obtaining future mortgages. A loss of permit value now would leave many permittees with an outstanding debt for an asset that would no longer exist.

Do you subscribe to that statement?

Dr. CLIFF. Yes. I think this is an expression of what would happen to that part of the permit value that has been used as collateral.

Now, we feel that this \$178 million, which is the present estimated value, is the appreciated value, and doesn't just represent the investment that the permittees have made. As I pointed out, half of the permits have been in existence for over 20 years and the ranchers didn't make that kind of investment. The evidence is that these permit values exist and have been used in negotiating loans. Permits will still exist but after the 10-year period the permit value wouldn't be available for collateral.

Senator HANSEN. Is it not true that the permit value as a specific investment in cost has been recognized in the past by the Department of Defense? I refer to the Engle Act of 1942. It has also been recognized by the Internal Revenue Service in respect to the settling of estate matters and the Farmers Home Administration. And I think the Taylor Grazing Act also states that no permittee shall be denied the renewal of such a permit if such denial would impair the value of the grazing unit of the permittee when such unit is pledged as security for any bona fide loan.

Are these not instances wherein the different departments of the Federal Government have recognized the value of a permit?

Dr. CLIFF. I am not familiar with this particular case, Senator. I am sorry. I guess I should be. I think you will probably get testimony to the effect that some of the federally supported lending agencies have recognized permit value or at least recognized the totality of the operation and sized up the possibility of continuity of the operation before they loaned money. This could be two different things.

The amount of weight they put on the so-called permit value I don't know. But this, as I said before, is digging us in deeper and deeper. I think it is time we reverse direction and recapture for the Government the true value of these resources.

Senator HANSEN. Well, I appreciate your frankness and your candor. I would have to say this: If it were simply an academic question and the continuance of a lot of people in the business wasn't so much at stake, I think I could find a lot of merit in the direction you suggest that we take. But I can't escape the impact that I feel will be visited upon a great many areas of the West, upon a great many communities, if this grazing fee increase, as has been instituted, continues for a 10-year period.

It seems inevitable to me, unless some other factors come into being that I don't know about, that we are just going to have a lot of people, I don't say all of them will go out of business. Those of them least able to withstand the increase will be the first to go. They will be typical of so many other people who will find great difficulty in doing something else. They are going to be unemployed even more often than they are now.

It is this point that so deeply concerns me, and I know, Dr. Cliff, knowing you as I do, and having heard you speak on numerous occasions, you share a lot of similar sentiments to those that I have.

I did refer to the Engle Act. Let me just read it for you, if I may:

Authorizing the head of the Department of Agency using the public domain for national defense purposes to compensate holders of grazing permits and licenses for losses sustained by reason of such use of public lands for national defense purposes, be it enacted by the Senate and the House of Representatives of the Congress * * * that whenever use for war or national defense purposes of the public domain or other property owned by or under control of the United States prevents its use for grazing, persons holding grazing permits or licenses and persons whose grazing permits or licenses have been or will be cancelled because of such use, shall be paid out of the funds appropriated or allocated for such projects such amounts as the head of the department or agency so using the land shall determine to be fair and reasonable for the losses suffered by such persons as a result of the use of such lands for war or national defense purposes.

Such payments shall be deemed payment in full for such losses. Nothing herein contained shall be construed to create any liability not now existing against the United States.

I think here is just another instance of recognition of the intrinsic value that the right to graze represents as part of an on-going cattle operation.

Now, I don't think these stockmen here today and tomorrow will be trying to contend that they have a right in perpetuity to the use of the range. I think they certainly are going to be saying the investment that the average operator has in a grazing permit on the public domain or on the national forest land represents part of his cost of doing business. They are simply asking that that fact be recognized and that the investment and the interest on that investment be taken into consideration along with other costs. It was in that regard that I referred to this Engle Act and to the Internal Revenue Service and the Farmers Home Administration, as well as the Taylor Grazing Act in saying consideration should be given.

I mentioned that I had some questions that refer to the concern of members of the Dude Ranchers Association. Noting the lateness of the hour, let me ask these questions now and you may answer in a letter to be included in the record at this point.

As you know, outfitting and dude ranching is a very substantial industry in my State of Wyoming and I have had considerable correspondence from my constituents with respect to the so-called service

fees which have been recently put into effect by the U.S. Forest Service.

On December 18, 1968, Mr. E. W. Schultz, Acting Chief, wrote to me in an effort to clarify what was an obvious misunderstanding between the Forest Service and the American Dude Ranchers Association. This misunderstanding centered around the question of making charges for "day use" on the forest lands.

Mr. Schultz said this in his letter, and I quote:

The misinterpretation which caused considerable concern following the meeting at Sheridan (Wyoming) apparently had to do with day use as contrasted to overnight trips. There is no intent to charge for single trips involving less than a day. Extemporaneous riding out of private land-based dude ranches is similar to the livery stable type of horse use, and charges would usually be inappropriate. There may be cases, however, where an outfitter-guide permit and a fee would be required for use of less than a day. This would be the case only where the activity is a specifically advertised or organized feature of the package the dude ranch offers its guests and where the rancher is making a specific commercial use of the National Forest.

That statement from Mr. Schultz in his letter to me causes me to ask you several questions at this point. First, will you clarify those cases which are now contemplated where day use charges might be levied by the Forest Service?

Second, as you know, many of the dude ranches in Wyoming are located adjacent to and in some cases are totally surrounded by national forest lands. Recreational horseback riding from these ranches oftentimes is done on the forest lands. These rides form an integral part of the program offered by these respective dude ranches. Do you contemplate that in such a case day charges will be levied by the Forest Service?

One other point which I feel needs clarification because it has raised questions in the mind of certain dude ranchers. This is the question of whether or not a double fee will be required of dude ranchers and outfitters who make use of the Forest Service for overnight pack trips or hunting parties. It is my understanding that an outfitting guide permit has been required in the past, and it is also my understanding that the dude ranchers who have expressed their concern on this matter are fearful lest they will be charged first of all for the outfitting guiding permit that they have been paying for in the past and then additionally for a so-called service day charge. Perhaps you would like to clarify that matter for the benefit of the Dude Ranchers Association.

Dr. CLIFF. We will be glad to supply a response, Senator.

(The information requested is as follows:)

U. S. DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,

Washington, D.C., March 24, 1969.

In reply refer to 2710

HON. FRANK CHURCH,

Chairman, Subcommittee on Public Lands, Senate Committee on Interior and Insular Affairs, U.S. Senate.

DEAR SENATOR CHURCH: During the recent hearings before your Subcommittee on Grazing Fees, we were asked for the answers to several questions on the fees to be paid by outfitter-guides.

Two of the questions are closely related:

Will you clarify those cases which are now contemplated where day-use charges might be levied by the Forest Service? and

Do you contemplate that day-use charges will be levied by the Forest Service where rides form an integral part of the program offered where dude ranches are adjacent to or completely surrounded by National Forest land?

These questions or some very similar to them have arisen in recent months as a result of numerous outfitter-guides wanting to be sure they fully understood a relatively recent revision of the system used in setting their fees.

Several years ago the Outfitter-Guide Division of the National Forest Recreation Association requested that a study be made directed at developing a more uniform system to setting its members' fees.

We responded by looking into the situation from all angles. It was apparent that two questions had to be answered: when should a fee be collected, and if it should, how much should it be? Eventually the answers to these questions began to surface as primary principles which it seemed could be combined into a fee approach which would equitably treat all situations. The first of these was a recognition of the simple fact that whether there should be a fee or not depended primarily upon whether or not the outfitter-guide made a commercial use of the National Forest; whether the service he marketed depended upon the National Forest as the market place. A secondary consideration was whether or not the outfitter-guides' activities required significant administrative activities on the part of Forest Officers. If the outfitter-guides' activities fitted either of the criteria, a fee is in order. If it doesn't, a fee is not warranted.

There were several possible approaches to determining the extent of the fee, such as assessing a percent of the permittees' receipts or a direct rent on the sites involved, etc. Eventually, it was clear that a charge made of the packer-outfitter for each day he was paid to serve a customer could be accepted as a basic fee unit, one which could be equitably applied under practically all conceivable circumstances. This led to the "service-day" concept and, eventually, to agreement that a basic charge of 25 cents for each service-day would be an equitable fee; i.e., an outfitter guiding a party of 10 for a 10-day pack trip would obligate himself for a total fee charge for 100 service-days and a fee of \$25. There would be no fee for the guides themselves or for their employers.

This was the basic system that recently became effective and which has prompted the questions you raise.

Generally speaking, under the "service-day" approach to fee setting it is not planned to charge for individual or group trips involving less than a day, particularly in those cases where the riders are on their own. In many cases such trips are incidental to activities carried out on privately owned land and involve an on-and-off pattern of riding. These trips create little impact upon the National Forest and do not generate resource protection or administration problems. Trips that are in and out in a matter of a couple of hours, even though the ride may be confined to National Forest trails, even though it is accompanied by a ranch employee, would not require a permit unless under circumstances similar to the following:

In some situations, the pattern of landownership is such that use of National Forest land is essential to the outfitter-guides' operation; it is advertised as such and creates a measurable impact upon the natural resources involving significant administrative obligation. Such a situation would also be where organized parties with a guide or wrangler move into National Forest land early in the morning, spend the entire day there, including a lunch camp, and return to headquarters in the later afternoon. Obviously a commercial use has been made of the Forest. If and when such is the case, in the judgment of the local Forest Supervisor, a permit may be required, and a charge based on the service days of use would be appropriate.

So far, most use of this kind, where permits in any number are required, has been in the California Sierras. There are a few instances in other Western States where examination on a case-by-case basis has shown that permits are necessary. We can expect that permit needs will spread again on a case-by-case basis as this type of recreation use grows.

In Wyoming and Colorado, there are 30 or 40 ranches situated and operated in the above manner which may at some future date require a permit. The decision in each situation will depend upon an individual determination as to the need for a permit. Local Forest Officers will work directly with ranches involved to insure compatibility between the private needs and the public interest.

Another question asked was:

Will the service-day fee be in addition to the fees paid in the past for outfitter-guide permits issued for overnight trips and hunting parties?

The answer is "no." The advantage of the service-day approach is that it replaces all other land use or camp charges or combination of those made in the past. There will, however, as in the past, continue to be a charge on an animal-unit basis for livestock authorized to graze on the National Forest. The setting of a grazing fee for the livestock use has not been changed. As in the past, it is in addition to the packer-outfitter special use fee.

Sincerely,

M. M. NELSON, *Deputy Chief.*

Senator HANSEN. Senator Fannin, have you anything further?

Senator FANNIN. Nothing further.

Senator HANSEN. If I may, then, let me say to all of you assembled here that this session has gone on for a long time. I have contributed to its length more than I should have.

The chairman of this subcommittee, Senator Church, asked that I remind you that we will reconvene here in the morning at 10 o'clock. The hearings are recessed.

(Thereupon, at 5:15 p.m. a recess was taken in the hearing, to reconvene at 10 a.m. on Friday, February 28, 1969.)

Present: Senators Church, Anderson, Bible, Maysell, Jordan of Idaho, Hawes, and Hatchell.

Also present: Senator Fannin.

Staff members present: Jerry T. Verklei, staff director; Stewart French, chief counsel; Charles Cook, minority counsel; Porter Ward, professional staff member.

Senator Church. The hearing will come in order.

This morning we have the distinguished Governor of Wyoming here as our first witness, and I would like to defer to Senator Hansen for the purpose of welcoming and introducing the Governor to the committee.

Senator HANSEN. Thank you very much, Mr. Chairman.

I deem it a great privilege and honor to be permitted to introduce the Governor of the State of Wyoming, His Excellency Stanley K. Hathaway.

I have known Governor Hathaway for a number of years. I might say that he was raised in a rural section of Wyoming on a dry farm and practiced law prior to this election to the governorship. He previously served in the elective office of county attorney. He comes from a State that is fully cognizant of the importance of the best use of all of our public lands.

As Governor he has confronted the problems of trying to finance growing State needs, county needs, and city needs. He knows what it means to try to come up with a budget that will accomplish these ends and still be acceptable to the people.

So I am certain that as he speaks to us this morning, he will do so from a background of very keen and incisive understanding that has come about from the experience he has had over the years and more particularly in the last few years as Governor of Wyoming.

We are very proud indeed to welcome you, Governor Hathaway.

STATEMENT OF HON. STANLEY K. HATHAWAY, GOVERNOR OF THE STATE OF WYOMING

Governor HATHAWAY. Thank you very much, Senator, distinguished Senators.

REGARDING GRAZING FEES ON PUBLIC LANDS

FRIDAY, FEBRUARY 28, 1969

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 3110, New Senate Office Building, Senator Frank Church (chairman of the subcommittee) presiding.

Present: Senators Church, Anderson, Bible, Metcalf, Jordan of Idaho, Hansen, and Hatfield.

Also present: Senator Fannin.

Staff members present: Jerry T. Verkler, staff director; Stewart French, chief counsel; Charles Cook, minority counsel; Porter Ward, professional staff member.

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We are very proud indeed to welcome you, Governor Hathaway.

STATEMENT OF HON. STANLEY K. HATHAWAY, GOVERNOR OF THE STATE OF WYOMING

Governor HATHAWAY. Thank you very much, Senator, distinguished Senators.

As Governor of the State of Wyoming, a State whose economy is predicated upon a strong agriculture base, I am strongly opposed to the implementation of the drastic increase in grazing fees on public lands as recently announced by the U.S. Department of Interior and the U.S. Department of Agriculture.

Forty-eight percent of the land surface in Wyoming is owned by the Federal Government, and my State will be seriously affected by the implementation of this unprecedented proposal.

Grass is nature's major product on the millions of acres of public lands in Wyoming, and only through the grazing of livestock can this grass be efficiently and economically converted to food and fiber to help meet the needs of our Nation.

Wyoming has the greatest total public land permitted animal-months of grazing in the entire United States. Wyoming's total amounts to 13.1 percent of the total available permitted animal-months of grazing on public lands in the United States.

Clearly, the impact of the increased grazing fees will have a most devastating effect on the economy of Wyoming.

In 1978 the fee is scheduled to rise to \$1.23 per animal unit month. At that time the increase in costs to livestock operators will be \$1,729,508 for the use of the lands in Wyoming administered by the Bureau of Land Management. On lands administered by the U.S. Forest Service in Wyoming, the increase in grazing fees by 1978 will amount to \$267,844.

Thus, the total scheduled increases in grazing fees on both BLM and Forest Service lands in Wyoming will cost livestock operators using these lands about \$2 million more by 1978.

With a multiplier impact upon business and non-commercial revenue, this results in a net drain on the State's economy of nearly \$5 million. In the larger States this amount might be of little consequence, but I can assure you that in some of the ranching communities of Wyoming it could mean economic life or death.

Another effect of the increase in fees is to reduce the capital asset position of the ranchers involved. A recent Federal Government study valued BLM permits at \$14.41 per animal-unit month and forest permits at \$25.35 per animal unit month for cattle, and \$17.29 per animal-unit month for sheep. In the aggregate, the asset value of the permits in Wyoming is \$43,712,582. It has been estimated that the fee increase will cut this in half. The resulting loss then is estimated at \$21,856,291.

I should like to inject this question: Can the grazing fee increase be justified when it will have such a tremendously adverse impact on one State's economy?

The implementation of a 400-percent grazing fee increase, as proposed for BLM lands, and a 250-percent grazing fee increase as proposed for Forest Service lands during the next 10 years, is not justifiable to an industry which is now only receiving about 76 percent of parity for its products.

Agriculture as a whole is lagging far behind the rest of the U.S. economy, and cannot at this time absorb such large increases in the basic cost of production and continue to survive. I seriously question the wisdom of any substantial grazing fee increases until such time as the livestock industries are at least receiving parity for their products. Over the years, the grazing of Wyoming's vast grasslands has been the backbone of Wyoming agriculture and I feel it is my re-

sponsibility as Governor to protest any action of the Federal Government which threatens the survival of the livestock industries.

It is my contention that such drastic action should not be taken before the Public Land Law Review Commission submits its final report on public land matters. It was an announced fact that the Public Land Law Review Commission staff has already started a study in detail of the entire grazing fee structure as applied to public lands. In addition to this study, the Statistical Reporting Service has conducted an impartial on-the-spot survey of public land grazing fees as compared to adjoining private leases. The results of this survey indicated that the present existing fees charged to public land users are quite comparable with leases in adjoining areas.

It appears that the Bureau of Land Management and the Forest Service have decided not to allow the capitalized value of the grazing permit to be a recognized cost of doing business for the holder of the base properties. I believe that the dollar value of the livestock grazing permit, like land, is a rancher-owned asset that is not depreciable, and has been already paid for when the base properties were purchased.

The permit value came into being as a result of a legal requirement by the Federal Government, set forth by the U.S. Forest Service in 1905 and by the Bureau of Land Management in 1934. The essence of this legal requirement was that a stockman, to be eligible to hold and own a permit, was required to own and control sufficient private land and water resources to provide for and sustain his livestock at such times as they were not allowed to graze upon federally owned lands. This became known as the commensurability requirement, and as a result of this requirement, the dollar value of the grazing permit has been capitalized into the total ranch investment. If this permit value is not recognized in the grazing fee formula as a legitimate cost of operation, then the effect of the grazing fee increases will be to reduce the asset position of the ranchers involved and could result in a total depreciation of capital assets of over \$21,856,291 for base properties in the State of Wyoming.

Needless to say, this would create a tremendous adverse economic impact upon Wyoming's economy which would be very difficult to overcome. Certainly, none of these actions can be justified when the basic economy stability of our State's economy is involved.

Mr. Chairman and members of the committee, I plead with you to study and consider the real and harsh effects this unprecedented move on the part of the retiring Secretaries of Interior and Agriculture will have on the economy of those Western States whose economy is predicated on the livestock use of public lands. I would also respectfully urge a moratorium on implementation of the grazing fee increases until the Public Land Law Review Commission has presented its report to you.

Thank you very much for the opportunity to be here and testify.

Senator CHURCH. Thank you very much, Governor, for your testimony. We had expected you yesterday. We are very happy that you were able to come today and give us the benefit of your views.

These hearings are producing a large body of opinion and we hope before they are concluded today, they will furnish much testimony which will help us to evaluate the impact of the proposed schedule of increased fees upon the cattle industry in the West, and this, of course, will be made available to the Department of the Interior. We have

assurances that the Department is in the process now of commencing a review of the whole question. So, your testimony in that connection, I am sure, will be most helpful.

Governor HATHAWAY. Thank you.

Senator CHURCH. I have no questions.

Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Governor, I am pleased to welcome you, too. You made a good statement, I believe, and it is significant that you would take time to come before this committee on this matter. It shows that it is important to the people of your State.

I have one question. You mentioned on page 2 of your statement the multiplier impact upon business and noncommercial revenue would result in a net drain on the State's economy of nearly \$5 million. Would you explain that a little bit; what factor you used?

Governor HATHAWAY. Senator, as you know, in many of our western communities, small towns are almost totally dependent upon agriculture. It is the only base of the economy.

This figure that I have given you was given to me by the University of Wyoming, and I cannot tell you the exact formula that they used. But their economics department produced these figures for me.

Senator CHURCH. Senator Anderson?

Senator ANDERSON. I do not have any questions except to say, Governor, the Public Land Law Review Commission has started on a study to consider this, and I am sure they will consider it thoroughly. I appreciate your statement here this morning and thank you for it.

Governor HATHAWAY. Thank you, sir.

Senator CHURCH. Senator Hansen?

Senator HANSEN. I have no questions. I want to compliment the Governor on a very excellent statement.

Governor HATHAWAY. Thank you, sir.

Senator CHURCH. Senator Bible?

Senator BIBLE. I thought it was an excellent statement, Governor. It pretty well speaks for the position of the State of Nevada, I can tell you that.

Senator CHURCH. Thank you, Governor.

Our next witness is Mr. Leonard Horn, chairman of the American National Cattlemen's Association's Public Lands Committee, and Reuben Pankey, chairman of the American National Cattlemen's Association's Forest Committee, accompanied by Mr. William C. Helming, the director of economic research for the American National Cattlemen's Association.

STATEMENT OF REUBEN PANKEY, CHAIRMAN, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION'S FOREST COMMITTEE, ACCOMPANIED BY LEONARD HORN, CHAIRMAN OF THE ANCA PUBLIC LANDS COMMITTEE; WILLIAM C. HELMING, DIRECTOR OF ECONOMIC RESEARCH FOR THE ANCA; AND DR. DARWIN B. NIELSEN, PROFESSOR OF ECONOMICS AT UTAH STATE UNIVERSITY, LOGAN, UTAH

Mr. PANKEY. Mr. Chairman, I have one other gentleman with me, Dr. Darwin Nielsen of Utah State University, and this is Leonard

Horn, chairman of the ANCA Public Lands Committee and this is William Helming, director of economic research of American National.

Senator CHURCH. Fine, Mr. Pankey. We are happy to welcome you and your associates here this morning and we look forward to your testimony.

Mr. PANKEY. Thank you, Mr. Chairman, Senators.

My name is Reuben Pankey of Truth or Consequences, N. Mex., and I appear here today as chairman of the ANCA Forest Committee. I am a member of the American National Cattlemen's Association, and a rancher and officer of the Pankey Land and Cattle Co. This family-owned operation has had a Bureau of Land Management and a U.S. Forest Service grazing permit for many years.

Accompanying me is Mr. Leonard Horn, chairman of the ANCA Public Lands Committee, and a rancher from Wolcott, Colo. Also with me is Mr. William C. Helming, director of economic research for the ANCA, Denver, Colo.; and Dr. Darwin B. Nielsen, professor of economics at Utah State University, Logan, Utah. Mr. Horn, Mr. Helming, and Dr. Nielsen are very familiar with the structure and results of the 1966 western livestock grazing survey. We appear on behalf of many thousands of cattlemen to express our deep concern with the new grazing fee regulations published in the January 14, 1969, Federal Register.

The American National Cattlemen's Association, created in 1898, is the spokesman for beef cattle producers and feeders from throughout the Nation. The Association does not object to increased grazing fees, per se. However, we do thoroughly object to the whole structure and basis of the new grazing fee increases in Federal lands. The association and its membership also fully agrees with the legal objections to the grazing fee increases presented by the Public Lands Council, 1700 Pennsylvania Avenue, NW., Washington, D.C., before this same hearing.

The following objections are presented in summary form by the American National Cattlemen's Association to the Bureau of Land Management and Forest Service regulations on grazing fees:

RESULTS AND ANALYSIS OF THE 1966 GRAZING FEE STUDY

Contrary to statements by the Bureau of Land Management, the results of the 1966 western livestock grazing survey failed to establish that average grazing fees on BLM lands should be increased from the current 33 cents per AUM to \$1.23 per AUM, equivalent to approximately a 400 percent increase. In addition, this fee increase does not take into account the many tangible public benefits presently provided and paid for by the permittee at no cost to the general public. These public benefits are reviewed in the latter portion of this statement.

The results of the study established that, based upon a comparison of all nonfee average grazing costs for Bureau of Land Management lands, an average fee increase of 10 cents per AUM, or nearly a 30 percent increase, appears to be justified, 33 cents per AUM to 43 cents per AUM. The study did not reflect most of the costs to the permittee of providing public benefits. Attached is a table showing the results of the study for grazing lands administered by the BLM,

and a comparison of all 15 individual cost items which were included in the study.

Similarly, in contrast to statements by the U.S. Forest Service, the results of the 1966 western livestock grazing survey failed to justify any increases in grazing fees. The study established that Forest Service permittees on the average were paying full economic value for an AUM of forage in 1966. See the following table for a comparison of all nonfee grazing costs for U.S. Forest Service.

(The tables referred to follows:)

TABLE 1.—U.S. FOREST SERVICE—AVERAGE COSTS PER ANIMAL-UNIT-MONTH FROM GRAZING FEE STUDY¹
(CATTLE)

| Item | Average nonfee cost per AUM of running livestock on Forest Service lands ² | Average cost per AUM of running livestock on private lands |
|---|---|---|
| 1. Annual capitalized market value of the grazing permit ³ | \$1.14 | |
| 2. Private lease rate..... | | \$1.86 |
| 3. Lost animals..... | .61 | .38 |
| 4. Association fees..... | .19 | |
| 5. Veterinarian..... | .13 | .14 |
| 6. Moving livestock to and from allotment..... | .33 | .24 |
| 7. Herding..... | .47 | .16 |
| 8. Salting and feeding..... | .41 | .85 |
| 9. Driving to and from allotment..... | .41 | .27 |
| 10. Water..... | .04 | .07 |
| 11. Horses..... | .23 | .10 |
| 12. Fence maintenance..... | .27 | .28 |
| 13. Water maintenance..... | .18 | .10 |
| 14. Development depreciations..... | .13 | .02 |
| 15. Other costs..... | .17 | .12 |
| Total cost per AUM..... | 4.71 | 4.59 |

¹ Represents all National Forest Service lands in survey.

² Represents the average nonfee costs of running livestock on Forest Service lands. The average grazing fee in 1966 was \$0.51 per animal-unit-month for cattle.

³ Capitalized at 4.5 percent, and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$25.35 per animal-unit-month on a national basis (regions I-VI). (The computation was as follows: \$25.35 times 4.5 equals \$1.52 per animal-unit-month).

TABLE 2.—BUREAU OF LAND MANAGEMENT, AVERAGE COSTS PER ANIMAL-UNIT-MONTH FROM GRAZING FEE STUDY¹

(Cattle and sheep)

| Item | Average nonfee cost per AUM of running livestock on BLM lands ² | Average cost per AUM of running livestock on private lands |
|--|---|---|
| 1. Capitalized grazing permit ³ | \$0.87 | |
| 2. Private lease rate..... | | \$1.82 |
| 3. Lost animals..... | .60 | .40 |
| 4. Association fees..... | .04 | |
| 5. Veterinarian..... | .10 | .14 |
| 6. Moving livestock to and from allotment..... | .21 | .24 |
| 7. Herding..... | .49 | .20 |
| 8. Salting and feeding..... | .69 | .87 |
| 9. Driving to and from allotment..... | .31 | .28 |
| 10. Water..... | .11 | .07 |
| 11. Horses..... | .12 | .09 |
| 12. Fence maintenance..... | .21 | .27 |
| 13. Water maintenance..... | .20 | .10 |
| 14. Development depreciations..... | .11 | .02 |
| 15. Other costs..... | .14 | .13 |
| Total cost per AUM..... | 4.20 | 4.63 |

¹ Represents all BLM grazing districts.

² Represents the average nonfee costs of running livestock on BLM lands. The average grazing fee in 1966 was \$0.33 per animal-unit-month.

³ Capitalized at 6 percent (cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$14.41 per AUM on a national basis. (The computation was as follows: \$14.41 times 6 percent equals \$0.87 per animal-unit-month.)

Mr. PANKEY. Cost data was obtained in 1966 from over 14,000 ranchers and lending institutions, comparing 15 nonfee grazing costs. The livestock operators fully cooperated with the study. The 15 cost items to be included in the study, including the dollar market value of the grazing permit, were agreed to in advance by all parties involved.

The study was conducted by the Statistical Reporting Service of the USDA. However, the Bureau of Land Management and U.S. Forest Service arbitrarily omitted from their presentation of the study results the most important permittee cost item—the annual capitalized dollar value of the grazing permit. An equitable comparison of total public and private nonfee grazing costs is not possible without including the annual cost of owning and paying for a grazing permit.

Thus, an average grazing fee for Federal lands administered by the BLM that would exceed 43 cents per AUM would be a misrepresentation of the costs and economic facts determined by the 1966 western livestock grazing survey. An average grazing fee for lands administered by the Forest Service that exceeded the average 1968 grazing fee also would be an outright misrepresentation of the facts.

The grazing fees levied for 1969 and beyond as announced by the Federal Government do not recognize the annual capitalized market value of the livestock grazing permit as a nonfee grazing cost, thereby distorting the facts, but allows the grazing fee on BLM and Forest Service lands to be adjusted annually by an amount equal to the increase or decrease in private lease rates. This procedure would result in an increase and spiraling effect of grazing fees over a 10-year period of considerably more than the stipulated \$1.23 per AUM—perhaps double this amount in 10 years. For example, if the average annual cost of the grazing permit is not recognized thereby forcing its value to zero, the demand for private lease lands would substantially increase, forcing private lease rates considerably higher than current levels.

An annual adjustment factor accounting for increases or decreases in both the private lease rate and the cost of the permit, used jointly with annual average livestock prices, would be equitable and reasonable, and easily calculated by the Federal agencies involved.

Current regulations and laws require that in order for a livestock operator to be granted a grazing permit he must have sufficient private land and/or water resources to sustain his livestock while they are not running on Federal land—the commensurability requirement. This, and other requirements by law and regulation, has forced the dollar market value of the permit to be capitalized into the total ranch investment structure. As a result, the dollar market value of the grazing permit has been considered to be a nondepreciable, rancher-owned asset existing in perpetuity, like most ranches, even though the permit itself continually has been associated with a high degree of economic risk.

The dollar market value, and the existence of a livestock grazing permit as a tangible asset, also is considered by the agricultural lending institutions as a key element in determining whether short, intermediate, or long term credit will be extended to ranching operations, when Federal lands are to be used for grazing livestock. The reason for this is that the dollar market value of the grazing permit represents

a major portion of the total ranch value, equity, and collateral position of the rancher.

The dollar market value of the permit as a specific portion of the ranch real property and cost of running livestock on Federal lands has been recognized as such by the Department of Defense (that is, the Engle Act of 1942); the Internal Revenue Service; the Farmers Home Administration; ranchers being paid the market value of their permits by the Federal Government when reclamation and similar projects have changed land use; and many other agricultural lending institutions throughout the United States which lend money to cattle and sheep ranchers. The capitalized dollar market value of the grazing permit is an important annual cost of doing business.¹

A major portion of the current value of the livestock grazing permit has accumulated from the thousands of dollars invested in range improvements on public and private lands by range livestock operators. As a result of this Government change in grazing fee policy, range livestock permittees will be forced to substantially reduce, and in many cases totally eliminate, commitments of private capital to various vital range improvement programs. The reason is simply because of increased operating expenses and the fact that any security or protection of investment in the range improvements has been lost.

The Government itself created the livestock grazing permit a number of years ago, and has for years encouraged stockmen to develop these range lands and establish economic ranching units, create new economic activity by using these range resources for livestock production, and to stabilize the range livestock industry and the many rural communities dependent upon it.

The dollar market value of the grazing permit also is closely associated with such important economic factors as weaning weights; calving percentages; and the general condition of the cattle and sheep running on Federal lands.

It was recognized and understood by all parties involved with the design and implementation of the 1966 western livestock grazing survey, that the foregoing important quality and economic factors could, and must be, reflected through the capitalized dollar value of the grazing permit as an annual cost of doing business. Otherwise, these and similar important cost and value factors would not have been reflected in the study.

The value of the livestock grazing permit is affected and very closely related to the multiple use concept. The average value of \$14.41 per AUM in the case of the Bureau of Land Management lands brought out in the 1966 study would in most cases double or triple in value if, for example, such a grazing permit gave the rancher involved the same privileges he enjoys on private lands; but such is not the case.

The regulations on grazing fees for Federal lands administered by the Bureau of Land Management, presented in the Federal Register, January 14, 1969, further misrepresents the facts and results established by the 1966 western livestock grazing survey by calling for a flat grazing fee versus a variable fee. If the cost data is combined on a national basis, as it was by the BLM, then a flat fee perhaps can be

¹ Position statement on current grazing fee issues and problems, Darwin B. Nielsen and M. Keith Roberts; Department of Agricultural Economics, Utah State University, Logan, Utah; Nov. 19, 1968.

statistically justified. However, if the cost data is broken down by State or district, there appears to be statistical evidence that a minimum of three or more separate fee levels is statistically justified. The high variation in the dollar value of the livestock grazing permit throughout the western States reflected by the study clearly shows that significant differences in range carrying capacity and values do exist. Thus, a variable fee schedule would take into account these important economic differences, whereas a flat fee schedule will not.

ECONOMIC IMPACT OF NEW GRAZING FEE SCHEDULES FOR FEDERAL LANDS ADMINISTERED BY BLM AND FOREST SERVICE

A net decapitalization, or loss in equity and real property of 30 to 50 percent, would result to these range cattle and sheep operations, including a total loss in the market value of the grazing permit presently capitalized into the total ranching operation. For example, such a reduction in real property values would result from the fact that the future market or potential buyers of these ranches could no longer justify paying what they have paid in the past for these ranches, simply because of the increased costs, reduced credit, increased economic risk, et cetera, that would result from nonrecognition of the grazing permit value. This situation is occurring now.

A substantial loss in ranch equity, net worth and increased operating expenses, resulting from failure to recognize the dollar value of the permit as a cost of running livestock on Federal lands, would force many range livestock operators to liquidate. In turn, livestock lending institutions involved would be forced to critically evaluate whether they could any longer justify extending further and/or additional credit to livestock operations dependent upon the use of Federal grazing lands. The ability of these ranches to repay their loans and maintain an economic unit has been reduced substantially.

Forcing range livestock operators to liquidate by ignoring the dollar market value of the permit would also result in severe and adverse economic effects on many rural communities throughout the Western United States, who either are totally or largely dependent upon the economic stability and perpetuation of the livestock industry. This grazing fee proposal would result in the loss of millions of dollars to local businesses and governments dependent upon a healthy and economically stable livestock industry.

IMPORTANCE OF PUBLIC BENEFITS

The many public benefits currently supplied at no charge to the public by the rancher also must be taken into account before an equitable grazing fee base and structure can be formulated. Public benefits specified below, by and large, were not included in the 1966 western livestock grazing survey.

Range cattle and sheep operators using public lands, adjoining their private lands for grazing livestock, have allowed and provided public access across their private lands to Federal lands for many years. Considerable time is spent by typical range livestock permittees giving directions to hunters, fishermen, and others interested in crossing their private lands to gain access to the public lands. These same people often are provided water, car repair, use of a telephone, meals, et cetera, normally at no cost.

Another specific and significant example of public benefits relates to the large amount of money and many hours spent by representative livestock permittees in building and maintaining roads on public lands at their own expense, in developing and maintaining water facilities, developing and increasing the quantity and quality of forage, et cetera. These and other factors not only increase the production potential for food and fiber, but also result in public benefits in the form of increased and easier access to both public and private lands, the availability of water for human consumption and wildlife, improved forage for wildlife, as well as substantially improving upon the watershed and Federal land resource management. For example, the owners of grazing permits, also owning private lands, furnish from their private lands, free of charge, a large percent of the yearly water and forage required to sustain wildlife in the Western United States. These public benefits generally were not taken into account in the 1966 western livestock grazing survey.

SUMMARY

The range livestock industry cooperated fully in the 1966 western livestock grazing survey by providing information needed to determine nonfee grazing costs from which the full economic value for an animal-unit-month of forage could equitably be determined from the standpoint of the Government and range livestock industry. Before the study, all parties involved agreed on the 15 separate cost items to be included in the study. They also agreed that the summation of these 15 cost items would serve as a reasonable and representative basis for establishing the full value for an animal-unit-month of forage.

In addition, an allowance for the cost of public benefits provided by the rancher, and an equitable year-to-year adjustment factor to include the cost of the private lease and grazing permit and average yearly livestock prices must be taken into account.

The industry is asking for no more than a complete and factual presentation and inclusion of all economics facts, including the annual capitalized dollar market value of the livestock grazing permit, public benefits, and other factors which must be included and adhered to in any new or modified grazing fee formula or structure for 1969 and the future.

The industry is willing, as previously stated, to accept an increase in grazing fees provided all costs and economic factors are included in their determination.

For these reasons, the industry considers the grazing fee schedules for Bureau of Land Management and Forest Service lands presented in the January 14, 1969, Federal Register totally unacceptable and unjustified, and a serious threat to the equity position, economic existence, and continuation of those ranches dependent upon the use of Federal lands for grazing livestock.

Mr. Chairman, we hope, through prompt congressional and administrative action, that the current grazing fee schedules and policy will be changed in accordance with the discussion and reasons outlined above. Certainly, the Public Land Law Review Commission recommendations are necessary in this context.

We appreciate, on behalf of the range cattle industry, having this opportunity to express our thoughts on the problems and severity of

the new regulations. We look forward, hopefully, to the positive and favorable action resulting from this hearing.

Thank you, Mr. Chairman and members of the committee.

Senator ANDERSON. In the summary you just read you say:

The range livestock industry cooperated fully in the 1966 Western Livestock Grazing survey by providing information needed to determine non-fee grazing costs from which the full economic value for an AUM of forage could equitably be determined from the standpoint of the Government and range livestock industry.

You say:

Before the study, all parties involved agreed on the 15 separate cost items to be included in the study. They also agreed that the summation of these 15 cost items would serve as a reasonable and representative basis for establishing the full value for an AUM of forage.

What were those 15 items? Do you have them here?

Mr. PANKEY. Yes, Senator. They are in table 1 and table 2. The first is, table 1, cost items for the U.S. Forest Service. They are attached to the statement. And table 2 is the Bureau of Land Management.

Senator ANDERSON. That is what you mean by this reference?

Mr. PANKEY. Yes, sir.

Senator ANDERSON. Did all parties agree to this?

Mr. PANKEY. That is correct, sir. We have a representative here who was part of formulating question, Mr. Bill Helming.

Mr. HELMING. Yes, Senator.

Senator ANDERSON. Did the Forest Service do that?

Mr. HELMING. The range livestock industry from the very outset cooperated with the BLM, the U.S. Forest Service, and the Bureau of the Budget and other agencies involved, as was stated yesterday, in the design and conduct of the entire study. All 15 cost items that appear in these two tables reflecting the results of the study were agreed to by everyone concerned.

Senator ANDERSON. You referred to the value of the permit. Do you think the value of the permit should be added to the factor of cost?

Mr. PANKEY. Yes, Senator. That was agreed to in the preliminary discussions when they formulated the questions for the survey, that the cost of the permit and the interest on this cost would be included as one of the cost items in the makeup of the total grazing fee.

Senator ANDERSON. Did the Forest Service agree to that?

Mr. PANKEY. Yes, sir.

Senator ANDERSON. And the grazers, too?

Mr. PANKEY. Yes, sir.

Senator ANDERSON. There has been constant reference to the value of the permit. Do you value the permit and capitalize it?

Mr. PANKEY. Yes, sir, it is capitalized.

Senator ANDERSON. Do you pay taxes on it?

Mr. PANKEY. We will pay taxes, inheritance tax.

Senator ANDERSON. Inheritance tax?

Mr. PANKEY. Yes. There is no necessity of interest tax on permits now in New Mexico but there is in California.

Mr. HELMING. In settling estate matters they agree to tax permits now and it has been in this form—

Senator ANDERSON. I wish you would read again the Public Land Law Review Commission's authority and also the authority granted

by the public land laws in title X. I think it is a little hard to justify a capitalization on grazing fee payments.

I have no other questions. I helped write a little bit of the Public Land Law Review Commission authorization and I am not quite so sure about that as you are.

Senator CHURCH. Thank you, Senator.

Senator Jordan, any questions?

Senator JORDAN. Yes.

I would like to continue the line of questioning that Senator Anderson started. You said it was an agreement between the operators, livestock people, Forest Service, the BLM, and all parties concerned, that the capitalizing of grazing permits would be taken into account in these studies. Is that what you said in your reply to Senator Anderson?

Mr. HELMING. Yes. Let me try to further clarify that. There was no agreement as to what capitalization rate would be used but there definitely was agreement that this was a legitimate and logical and sound cost item along with the other 14 items to be included in the study.

Senator JORDAN. Well, was there anything in writing in your agreement or was it just a verbal arrangement you had with them?

Mr. HELMING. This cost item was put into the study and into the questionnaires for the purpose of using it along with the other cost items. So by virtue of it being in the study, we all agreed to it.

Senator JORDAN. They agreed it was a valid point?

Mr. HELMING. Yes, or it would not have been in.

Senator JORDAN. Or it would not have been in there. Why, then, do you suppose they have not used any valuation or any interest component for that cost in their own reporting?

Mr. HELMING. Well, sir, we have been wondering the same thing for the last 15 months or 2 years. We find it very difficult to understand how you can logically make any distinction between that cost item as a cost of doing business versus any of the others.

Senator JORDAN. Well, have you asked them why they did not include it in their own presentation?

Mr. HELMING. Yes.

Senator JORDAN. What did they say?

Mr. HELMING. Well, one of the answers given us, as was stated yesterday, as it relates to this proprietary interest in being a right versus a privilege, and so on, is because it is a cost of doing business.

Senator JORDAN. Do you consider that a repudiation of their initial understanding with you that it would be a cost factor?

Mr. HELMING. Yes, sir, I sure do.

Senator JORDAN. Did the rest of you agree to that in the statement?

Mr. PANKEY. Mr. Chairman, we consider it a repudiation of their word to us.

Senator ANDERSON. Word? Excuse me.

Senator JORDAN. Go ahead.

Mr. PANKEY. Well, their agreement that all these items would be in the cost study.

Senator ANDERSON. Can you submit that agreement?

Mr. PANKEY. We have no written agreement, no, sir. The recommendations of BLM, Forest Service, Bureau of the Budget, Mr. Helming—

Mr. HELMING. The agreement is right here in the study.

Mr. PANKEY. We sat down and devised the study at the time it was to be sent out by the statistical research survey. That was the agreement.

Senator JORDAN. Do I understand you to say you have a copy of the agreement there?

Mr. PANKEY. No, sir.

Mr. HELMING. The agreement speaks for itself by virtue of all 15 cost items being in the study.

Senator JORDAN. If they chose to give it a zero valuation and you chose to give it a \$14.41 per AUM valuation, you had an initial difference of opinion as to its value, is this not true?

Mr. HELMING. Well, that is not entirely true. The industry went into this whole study, we feel, in good faith, and for the determination of what these cost items were on a scientific basis, and by virtue of going that route, we had no idea as to what the exact value of this particular cost item or any of the other cost items were going to turn out to be, and also as a result as to whether the fees would go up or down or stay the same. I mean, let the chips fall where they may. That is how we went into this study.

Senator JORDAN. They did not indicate to you at the beginning of your study that they regarded this as not a proper component of the total cost?

Mr. HELMING. I think that is the real important question. They absolutely did not. There was no indication on the part of the Government representatives involved in all these preliminary discussions we had—I would like Dr. Nielsen to comment on this a little bit, too, actually helped conduct the structure of the study and was employed by the U.S. Forest Service—but there was no indication that we received that this was not a legitimate and logical cost item.

Senator JORDAN. Dr. Nielson, do you want to comment on that, please?

Dr. NIELSEN. I am not aware of any formal agreement between these in the meetings that I attended as to whether the permit was or was not going to be considered. The study was based on the pilot study that we did at Utah State University. The whole grazing fee model was based on this pilot study, and our contention, through our pilot study, was that if you took the total cost of using public lands and the total cost of using private lands, taking the fee and nonfee costs in both cases, and capitalized that differential at a reasonable rate of return it should equal average permit value. If the competitive market exists, we would expect this to hold up. And we tested this idea at Utah State and we found that we thought the capitalization rate that made this equation whole was reasonable. And this study then was based on his idea. And a priori, if you take and collect information on all the costs and the permit, and given our idea on the national level, then we would expect that there would be no difference between the two cost items. If you capitalize the permit at a reasonable—

Senator JORDAN. Yes; but at what point in your joint study did you first become aware of their position as being contrary to your own?

Dr. NIELSEN. Well, I do not have a position. You see, the problem that has come out here is that the rancher is paying full market value for the public grazing if you allow him a reasonable rate of interest on his investment and the permit. The question comes back to, as has been brought here very plainly, I think, should the Federal Government recognize that permit as a legitimate cost, and if they do, then there is no justification of a fee increase. Or, if they can find a basis for not recognizing it, then there is a justification for the fee increase, and that is, I think, the point that is argued.

I was not in all the meetings, but I do not know of any place where there was any formal agreement on this. There may have been.

Senator JORDAN. All right.

Mr. HELMING. I would like to answer your specific question.

Senator JORDAN. All right. You may answer.

Mr. HELMING. This matter of questioning the inclusion or noninclusion of the permit did not become a factor at all, to my knowledge, until after the study was conducted.

Senator JORDAN. When you were putting together the report?

Mr. HELMING. Until the analyses were actually there.

Senator JORDAN. Upon what criteria was this precise figure of \$14.41 based?

Mr. HELMING. That figure was obtained by virtue of the survey. It was by and large obtained, that is, through the Government study. The average figure of \$14.41 in the case of the BLM and \$25.35 per AUM in the case of the Forest Service was obtained as a result of the study primarily from lending institutions by virtue of the permit itself being sold and transferred and bought in a competitive market place.

Senator JORDAN. In your questionnaire did you have questions relating to this item asking what had been paid for AUM's?

Mr. HELMING. The Government questionnaire has a whole page asking for information on the permit itself. Yes, sir. I mean, that is the proof right there. It is in the study.

Senator JORDAN. This has been a factor in your borrowing from banks. This has been generally conceded to be a part of your collateral.

Mr. HELMING. A very important part of the collateral. In fact, a very important part of your total ranch value. Extremely important.

Mr. PANKEY. Senator, we have many areas, year long areas, in New Mexico and Arizona. The base property will probably be no more than 5 percent of the total ranch acreage. And this man's whole asset is his permit for him to borrow money for operating capital or expansion or whatever because his base property, in effect, is worthless without the permit. He has no asset if the permit is zero.

Senator JORDAN. Well, what percent of the time does he spend on his private holding in that case?

Mr. PANKEY. Well, very little. He owns base property for BLM permit.

Senator JORDAN. I do not want to take too much time, but I would like to cover another line of questioning. Were only costs taken into account in the study or were gains taken into account as well? What I am trying to say is, do you get the same gain on the public ranges that you do on the private leased lands and was this taken into account?

Mr. PANKEY. Not to my knowledge, Senator; no, sir. We suspect that the gains are higher on the private lands because they are better lands. BLM and forest lands are the poor lands. The better lands were settled first.

Senator JORDAN. So that the yield was not a factor in the table that you present to us here now, table 2. It is simply the cost of running this animal throughout the ranging season.

Mr. HELMING. I think a portion of this was taken into account in the study.

Senator JORDAN. You say a portion. How much?

Mr. HELMING. I cannot say whether it is 90 percent or 80 percent or 40 percent or what, but I think it definitely can be said it is reflected in some degree by virtue of the permit and other reasons. The industry and everyone else felt that that permit had to be in there because, obviously, the weaning weights are higher in one ranch operation versus another and death loss and all these other important economic variables. So is your permit value going to fluctuate up and down accordingly? These are pretty much reflected in that permit and that is just another basic example of how important that is if you are going to be comparing apples with apples, and certainly an equitable comparison of the cost values.

Senator JORDAN. Then, you would say it is fully taken into account.

Mr. HELMING. No. I would not say it was fully taken into account.

Senator JORDAN. Well, pardon the personal reference. One time I paid \$3,000 for irrigated pastures on private lands rather than exercise my option to use a permit that would have cost less than \$300 because I expected a higher gain from a higher investment. That is why I want to know if this was taken into account fully when you calculated these tables.

Mr. HELMING. No.

Senator JORDAN. Comparative costs.

Dr. NIELSEN. An attempt was made to take this into account in the fact that for private leased ranges and for Federal lands under consideration, the range type and the productivity was estimated as best possible survey so that when you make comparisons, you got as near as possible to comparable units, comparable types of grazing lands. I think also that some of this would be reflected in the permit value. You are not comparing some lush Forest Service grazing in the summertime with some winter range on BLM lands. These types of comparisons were not made. We may have some comparisons between meadow that is leased and some good summer grazing on Forest Service lands, so an attempt was made to find those types that were comparable. In think as good an effort as possible under the circumstances was made to get comparisons.

Senator JORDAN. An effort was made—

Mr. HELMING. It is conceded, though, that in some of these areas it was just impossible to find comparable comparisons, comparable private versus comparable public lands. This sometimes just does not exist.

Senator JORDAN. It is your statement that the tables do not fully compensate for the additional gains that might be made on private leased lands as against permits on public domain?

Mr. HELMING. Oh, yes. I think very definitely.

Senator CHURCH. Thank you very much, Senator Jordan.

Senator BIBLE?

Senator BIBLE. I think it might be helpful for the record if you would furnish the questionnaire that both BLM and Forest Service used in circulating the industry.

Mr. HELMING. We will be glad to do that.

Senator BIBLE. Part of your point is that since they did put permits in there, that they must have wanted or felt that they should have some value. I would like you to develop in very simple ABC language, whoever your experts are, as to exactly why there should be value given to a Taylor Grazing permit?

Mr. HELMING. We will be glad to do that.

Senator BIBLE. Just in real simple language. It does not need to be very long.

Mr. HELMING. We will do that, sir. We will be glad to.

Senator BIBLE. Or do you want to take a little time to study it? I thought maybe you could do it right off the top of your head. You fellows are the experts.

Mr. HELMING. You want it right now?

Senator BIBLE. Yes. If you think you can do it justice. You have the laboring oar and I want you to put your best foot forward. If you are not ready now, put your heads together and come back in a few minutes.

Mr. HELMING. Your specific question is, What is the permit and why should it be included?

Senator BIBLE. My specific question is, Why should you give value to your Taylor Grazing permit on public domain?

Mr. HELMING. Well, in the first place, the grazing permit is a tangible rancher-owned asset just by virtue of the fact that he owns that permit. Whether he still retains the permit as an original permittee, he still owns the permit and it still has value from a collateral financial standpoint.

That is point No. 1.

Point No. 2, he must have that permit in order to maintain an economic unit. He just cannot maintain an economic unit in most cases that we are talking about here without it.

Senator BIBLE. Would you spell it out? I think I understand what you are saying but spell that second point out just a little more.

Mr. HELMING. OK. The permit has this value and the value—let us just take an example in the case of the Forest Service of \$25.35. That is what the study showed. That is a cost to the rancher of owning and holding that permit.

Now, in order to equate that to an annual cost, since this permit is not depreciable—it is like land, exists in perpetuity from the standpoint of a perpetual range livestock operation—you have to equate that \$25.35 to an annual cost, and this is normally done as it is in any business, by capitalizing it at some reasonable interest charge. So to compare that \$25.35 1 year is, of course, unreasonable. You are talking about a perpetual perpetuity situation, so you charge that at a reasonable interest charge and you come up with a figure per animal unit month and then you include that with your other 14 or 13 cost items to make a reasonable and equitable comparison for the public and the private lands.

The permit itself is very much like the private lease rate in many cases. The private lease rate has been used over the years as a legal and logical means of rancher A getting together with Rancher B. In this case of the permit, it is the landlord, the Government in this case, getting together with the rancher.

Senator BIBLE. Do you have anything to add further to that?

Mr. PANKEY. Yes, sir. This will be real simple language.

I consider the value built in these permits by the fact that when we settled the West, the Government was a party to permitting us to use the public domain for our livestock as a lure to get people to settle the West. And the rancher himself built up the value by making his lands productive, fencing it, developing water, spending many millions of dollars to take it from the wilderness into a productive ranching unit. I think that our labor and money invested in these lands has created most of the value, and when that was recognized, naturally the interchange and sale of these permits from one to another rancher or by inheritance established the market value of them.

Senator BIBLE. Anything further, Dr. Nielsen? Are you satisfied with the total explanation?

Dr. NIELSEN. Well, I can give you my —

Senator BIBLE. Real short, because we are trying to move along very quickly. I have been admonished by the chairman so I have to keep going.

Dr. NIELSEN. I am familiar with some of the Forest Service data before it was combined but I can give you an example there.

The total nonfee costs under the Forest Service lands were \$3.75 per AUM. The average fee was 51 cents per AUM. That gave you a total nonfee and fee cost of \$4.26 per AUM, and on the private side, the nonfee and fee costs were \$5.32.

If you take the differential between those two, it is \$1.06. Those things we could estimate from the study.

We also estimated from actual sales where the permit values could be estimated separately from commensurate property or livestock the average permit value of \$25.35. If you take this differential, and our assumption is that because that differential exists the permit has value because public policy in the past has, if you can use the term, underpriced the public grazing for many reasons that are very well outlined in the history of this thing.

But now, if you capitalize that \$1.06 at a rate of interest it should equal the average permit value and that rate of interest comes out to be 4.3 percent. So, if you allow the rancher 4.3 percent on his investment and the permit makes the total cost of making public and private range lands equal and that is where I see the permit value has arisen. Whether it should or not, I think that is a question that I do not have an answer for.

Senator BIBLE. The only additional thing I might ask of you, and very quickly, and this could be supplied for the record, bureaucrats as well as U.S. Senators and Congressmen have the habit of making speeches frequently. In going back over the history of the Bureau of Land Management and Forest Service people, is there anything in any of their statements or talks to you people that has said that they recognize that there should be a value placed on this Taylor grazing

permit? Have they ever said that, do you know? Just research it and supply it for the record. It would be kind of interesting.

Mr. PANKEY. Mr. Chairman, I think that will be in a subsequent statement given by the Public Land Council, which will engarge on this question you are asking us now, about what established the value of the permit.

Senator BIBLE. Thank you.

I have no further questions.

Mr. PANKEY. By Mr. Harry Lee.

Senator CHURCH. Thank you.

Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

Yesterday Director Rasmussen of the BLM indicated that increased fees would not result in a material drop in the investment by permittees in range improvements on public lands. I would like to ask Mr. Pankey if he agrees with that statement.

Mr. PANKEY. I most certainly disagree with that statement to the extent that we feel in the industry there will be a complete cessation and stoppage of any individual private investment on the public lands under this present proposed fee.

Senator HANSEN. Then, Mr. Pankey, in your judgment and in your observation over the years, is it your feeling that this investment in range improvements has resulted in the presence on the tax rolls of additional numbers of livestock and has redounded to the public benefit in other ways?

Mr. PANKEY. Senator, as an ex-county commissioner, I can speak with some authority on that subject. It definitely has. The livestock on our tax rolls in the public land counties are one of our major taxable items. It is a very vital and a needed source of revenue for any county that is made up substantially of public lands which many of the counties in the West are, even up to the extent of 80 and 90 percent. There is no tax base on the Federal lands and the payment in lieu of taxes is a pitiful thing. So, we have to have these livestock on there to even maintain a normal minimum county government.

Senator HANSEN. In establishing the commensurability standards which have been in existence for a long time, would it be your judgment, Mr. Pankey, that the Federal Government was in effect recognizing the desirability of people establishing homes and owning private lands as a necessary adjunct to the possession of a permit? Do you feel this, in part, is a recognition of the public values that flow from this sort of an arrangement, and it may very well be in the minds of the Federal Government to compensate at least in part and perhaps in total for the differential between what is paid to the Government and actual market value of grass?

Mr. PANKEY. Well, definitely in the minds of many, including my own, I consider people using the public domain; namely, in the way of people that live on it, the best resource that our country can have as far as protection to the resource. And I think the U.S. Forest Service, if they had the better lands, in the very establishment of the free use permits in the way of milk cow, saddle horses, or work horses, was thereby creating the premise that people were to live and use these lands and they themselves recognized the permit and its value there. Of course, as it increased and was used for commercial herds, they

still urged the people to keep their free uses as much as possible so they would use these lands.

Senator HANSEN. Yesterday when Dr. Cliff was testifying, on behalf of the Forest Service, I came away with the conviction that one of the reasons that the Forest Service, and I suspect the BLM, may have concluded that they could not properly include an annual capitalized market value of the grazing permit resulted from the fact that this study to which Mr. Helming has referred, disclosed that in some instances the AUM value of a forest permit got up as much as \$72. If I recall correctly, and he said that to capitalize that at 6 percent would result in the Federal Government owing the permittee for using the forest if we were to follow through, as he said, on a logical basis.

Now, do you have the feeling when this study was first initiated and participated by both the BLM and the Forest Service, there was a ready willingness to include the capitalized market value as one of the cost factor studies to be gained? Is it not true that both the BLM and the Forest Service were well aware that the questionnaire included the asking of what the permit value was?

Would you like to respond to that?

Mr. HELMING. Yes; I would. I think that it simply can be said that if we had any idea that was the case, we would not have cooperated and participated in the study in the first place.

Senator HANSEN. I have no further questions, Mr. Chairman.

Senator CHURCH. Thank you very much.

Senator Metcalf?

Senator METCALF. Thank you, Mr. Chairman.

A good deal of this controversy is involved in as to whether or not there is a proprietary interest in the permit. You are familiar with the provisions of the Taylor Grazing Act and do you think that a recognition of the permit value will give you a proprietary interest?

Mr. HELMING. No.

Mr. PANKEY. No.

Senator METCALF. You concede, then, that under the provisions of the Taylor Grazing Act and under the provisions under which the permits are issued, that there is no proprietary interest in the sense that we have a permit claim against the Government in case we took that land for a national park or a power project or something of that sort. We would not have to pay for that permit.

Mr. PANKEY. Senator, that question will be fully answered by the next livestock witness in its legal context, but as far as the users are concerned, that question has been in the Supreme Court, I believe, some three times and we are fully aware of what it means and we are willing to live with it. We know we establish no proprietary interest.

Mr. HELMING. And we have no desire to establish one.

Senator METCALF. Thank you very much.

Now, Mr. Rasmussen said that about a third of the permittees at the present time were the original holders and paid nothing for their permit. How can you justify a permit value for those people who have not any permit investment?

Mr. PANKEY. Senator, as I see it, even if you came by the permit from an original license, that permit has not been for free because

any time you maintain a permit, you have to continue to improve it, and fence it and——

Senator METCALF. You would not want to live without the provisions and the rights and the privileges that have been given to you by the Taylor Grazing Act and by those permits, would you?

Mr. PANKEY. No. I am not sure that I would, no.

Senator METCALF. It has been my idea that one of the things that has stabilized the livestock industry is this concept that we have that we should give these permits and give an opportunity so these are assets which were freely given to you by the Government, and you are not only paying for a differential as was suggested but you are paying for the stability and the rights year after year to that grazing, so you do not have to compete with somebody who is, as someone said, Johnny-come-lately, or something, in the business. You have a stability that you can look forward to as a result of that.

Mr. PANKEY. We hope so.

Senator METCALF. For which you pay something more than the privilege of getting cheaper grazing than another neighbor. You pay for the stability and the long-term building up of your base property assets, too.

Dr. NIELSEN. I would like to——

Senator METCALF. I want you to comment.

Dr. NIELSEN. I would like to make one comment on that.

As an economist, I cannot see the difference in whether he is an original permittee or whether he bought it. He has an asset that is valuable to him and it is recognized by lending institutions, by the taxing agencies of various sorts that have, I think, been brought out here, and he has an asset here today that has a sales value, has a market value.

Senator METCALF. The Federal Government gave him that asset and then they should take a depreciation on the cost of renting Federal property because of the gift of an asset such as that.

Dr. NIELSEN. As I read the history of this thing, I see that the use of Federal lands was used as an incentive payment, if you will, to get development. Then the incentive got capitalized into a permit value and it does not go along with my feeling of social justice that now, after a period of 30 or 40 years, we decide we made a mistake. Let us recapture that, I think the term has been used here. That does not set too much with me.

Senator METCALF. Maybe someone should turn that around and say after 30 or 40 years' stability of the Federal Government you think you are going to stick the Federal Government. I do not want to be facetious about this because this keeps on coming back as the nub of the case. We have a permit that is given for a special use, special privileges. You have special rights under the Taylor Grazing Act. Over the years as property has been sold, it has acquired a certain value because people want to continue to have that stability when they buy the base property.

The question to us is should the Federal Government be penalized because it built up this stability and gave you that extra value?

Dr. NIELSEN. Well, apparently I am not communicating ideas here. I do not get the full picture of this.

One of the things that bothers me somewhat on it is if an individual has had this in his possession since it was originally granted and has been one of the stabilizing influences in the livestock industry, if you will, you now change policy that could wipe out a very valuable asset that he has used in his ranch operations. But what do you do to the man who sold his yesterday? He has a pocketful of cash and is gone and your fee policy does not affect him at all.

Senator METCALF. I would not wipe out the stabilizing force of the Taylor Grazing Act. I just want to be sure that the basic provisions of the Taylor Grazing Act as it was originally enacted, it says there is no proprietary value and we do not recognize anything except the special rights we gave by that act are perpetuated in the future.

Dr. NIELSEN. The only thing I can see you can blame the rancher for is for being a good economist.

Senator METCALF. Thank you very much.

Senator CHURCH. Thank you, Senator Metcalf.

I think it is clear from the exchange here that if the Federal Government had adopted the policy originally of charging grazing fees that were commensurate with grazing fees for comparable private lands, the special permit value would not have built up over the years to the extent that it has.

Mr. HELMING. If at all.

Senator CHURCH. And the problem now facing the rancher, which is a part of your historical experience, would not be as pronounced as you now find it to be. And injustice, if injustice is involved, lies in trying to correct that situation after a 30-year practice that has led to the present permit cost and permit value. To at least two-thirds of those who are now engaged in the business, this has been a very real cost because these operations have had to pay to obtain a permit and operate under it. Is that not correct?

Mr. PANKEY. That is correct. We find ourselves in this dilemma.

Senator CHURCH. A dilemma which arises by virtue of a policy that has been in effect for a 30-year period or more.

Mr. PANKEY. And we are petitioning you and Members of the Congress to help us resolve this. We would like this question settled once and for all and find out exactly where we stand in the industry.

Senator CHURCH. As I understand your testimony, you really do not have any serious quarrel with the figures that have been used or the method that has been used by the Government. The serious quarrel you have is the decision of the Government not to include among your costs the interest value of your permit. Right?

Mr. PANKEY. That is correct.

Mr. HELMING. That happens to be the most important cost item.

Senator CHURCH. And do I also understand you correctly that insofar as this first increment is concerned, that you have no serious quarrel with it because even as you would figure your costs, an increase of this general magnitude would be justified?

Mr. PANKEY. Mr. Chairman, we are not begging the 11 cents if it is clearly understood that they are not adhering to the grazing fee study as we understood they were.

Senator CHURCH. Yes. Senator Anderson raises the question that there never was an express agreement between the Government and the cattlemen as to whether or not the permit value would be entered

as an item of cost, but as I understand your testimony this was your assumption inasmuch as this item was included very conspicuously in the Government questionnaire on costs.

Mr. PANKEY. That is correct.

Senator CHURCH. Therefore, you assumed it would be included with the other items in that study.

Mr. PANKEY. There was never a question of omission of this item until the preliminary results of the survey began to be apparent, and then they began to bring up the suggestion and the question sometime in 1967 that possibly this item would be omitted.

Senator CHURCH. Senator Anderson?

Senator ANDERSON. The reason I keep raising this question is that I do not believe that you have that sort of an agreement with the Departments. If you do, produce them. I tried many years ago to do a little administering in that field. I think I know what public service has been done by the Forest Service. I have tremendous respect for the Forest Service. I have never seen an agreement which they have failed to live up to. I want you to show the agreement in writing. I do not think you can, but you might.

Mr. PANKEY. Senator, we have no agreement in writing.

Senator ANDERSON. Well, I asked if the Forest Service agreed to it, if the grazers agreed to it, yes, yes.

Mr. PANKEY. Sir, they agreed to the 15 total questions and this question was in the survey that was set out, but for a specific agreement on that one point, no, sir, there exists no agreement.

Senator CHURCH. I think that clears up the matter.

Senator ANDERSON. This other gentleman here, he said there was an agreement.

Mr. HORN. I would like to cover this possibly a little more. I sat in on, I believe, every meeting as public lands chairman for the American National Cattlemen's Association. I think Reuben Pankey also did as their Forest Advisory Committee chairman and our understanding as an industry was that all these 15 cost items would be included. We always understood they would be included and we had no idea—we would not have gotten 10,000 livestock people to work like they did to help with this survey when the survey roster came out. The people came around to work with these people. Those people would not cooperate in that way if they thought that they were not proving that they were getting a job done as to how much the cost would be on our use of the public lands. We were really trying to prove something to clear this up once and for all and we thought we were doing it. We never had any idea they would decide to take out any of these cost factors until after the survey was over.

Senator CHURCH. Senator Hatfield?

Senator HATFIELD. Mr. Chairman, I have two brief questions.

On page 8 of your testimony, Mr. Pankey, in the summary, you indicate beginning at the third paragraph:

The industry is asking for no more than a complete and factual presentation and inclusion of all economic facts.

In the next paragraph you say: The industry is willing, as previously stated, to accept an increase in grazing fees provided all costs and economic factors are included in their determination.

A little while ago you responded to our chairman that you had no basic quarrel with this first increment of 11 cents per AUM applied

to the BLM lands. Is this based upon some calculation of what you feel would be an appropriate formula, including all economic facts in what would be the exact figure of increment that you come up with in your formula? Is that what you refer to on page 2 in the second paragraph?

Mr. PANKEY. The exact figure as I recall, is 10 cents.

Senator CHURCH. Yes. That was your testimony.

Mr. PANKEY. So basically, we cannot quarrel over a cent except we would like it plainly understood——

Senator HATFIELD. That is the second paragraph on page 2, then?

Mr. PANKEY. Yes.

Mr. HELMING. That is in the case of the Bureau of Land Management.

Senator HATFIELD. Yes. That is what I am saying.

Mr. HELMING. In the case of the Forest Service we do not acquiesce or want to be misinterpreted that we accept 11 or 9 cents increase because we do not.

Senator HATFIELD. Let me get this very, very clear. This 43 cents, this 10-cent increment you come up with, is calculated on a specific formula basis including these various things that you talk about, annual capitalized dollar, market value, livestock grazing permit, public benefits. Do you have the worksheet of your calculations that we could get a copy of?

Mr. HELMING. Well, let us turn to the table.

Senator HATFIELD. I have seen those 15 points.

Mr. HELMING. Now, the item called the public benefits is not included in here as we stated in our testimony.

Senator HATFIELD. But you have on page 7 a listing of public benefits and if we are going to include all these economic factors that you call for, including public benefits, how do we translate them? How do we compute them?

Mr. HELMING. That is a very good question. Unfortunately, it was not included initially in the grazing fee study. So this, perhaps, is in an area which requires additional study. We were just trying to make the point that it was not included. We believe they do have additional value and should be accounted for in any final determination of fee schedule. We certainly would not want to just pick a figure out of the air at random for you at this point.

Senator HATFIELD. Actually, then, it would tend to be on your plus side, which would mean perhaps lesser increase if they were incorporated in your formula as you have requested but they have not done, is that right?

Mr. HELMING. That is true.

Senator HATFIELD. But the sentence, and you say you are not going to quibble over a penny difference, is based on specific calculations?

Mr. HELMING. Capitalization of the permit at 6 percent, on BLM land.

Senator HATFIELD. That is correct. That is what I am referring to.

Now, on page 4, item 5, you have indicated here that the Department of Defense and Internal Revenue Service and Farmers Home Administration have recognized the dollar market value of the permit as a specific portion of the ranch real property and cost of running live-

stock on Federal lands. Will you tell me how they acknowledged this or recognized this?

Mr. HELMING. Well, I am not a lawyer but I can in lay language explain to you. In the case of the Engle Act of 1942, as I understand it, there was specific provision made by Congress in those cases where the Department of Defense had to condemn the lands or take over the lands for a single-use purpose. They compensated the holders of these grazing permits for their value.

Senator HATFIELD. Condemnation proceedings?

Mr. HELMING. Yes. It was specifically laid out in the law.

Senator HATFIELD. How about the IRS?

Mr. HELMING. The IRS has specifically taxed the grazing permits in settling estate tax matters.

Senator HATFIELD. The inheritance tax.

Mr. HELMING. Yes, and we can show evidence of that.

Senator HATFIELD. The Farmers Home Administration in terms of loans?

Mr. HELMING. In terms of loans and in terms of actually buying and encouraging the purchase of permits, in using that value, intangible assets as a means of loaning the money, getting into these grazing associations, and so on, and this is, of course, a Government program.

Senator HATFIELD. One final question. If you were to project 10 years ahead what these fee increases might be, what would be the range that you would project on your formula, by which you have arrived at 43 cents per animal-unit-month on BLM lands? If you were to take that same formula and project it 10 years ahead——

Mr. HELMING. By including all the costs.

Senator HATFIELD (continuing). By including the factors you have in your formula, what would be the range of increase?

Mr. HELMING. Well, to answer that, as we have suggested, by taking into account all the factors and then using the private lease rate which is easily obtainable as well as the permit, and whatever differential net increase or decrease between the two would serve as a logical index, and how much that would increase, it is hard for me to say. But it would be the same basis on which the fee basis was established in the first place.

If private lease rates exceeded in terms of their rate of growth the increase in the value of the permit, then the cost of grazing fees would go up.

Senator HATFIELD. I appreciate that, but when you talk about the 400 percent increase of the BLM projection, there is conceivably a very measurable increase in your calculations if you projected it on a 10-year basis. Is this not true?

Mr. HELMING. Well, it is conceivable that on the basis of including all costs, the fees would still go up but certainly not to the extent that——

Senator HATFIELD. No. I appreciate that, but there still would be a rise on your calculations.

Mr. HELMING. It is a possibility, yes.

Mr. PANKEY. Senator, the livestock industry will have to take a much stronger economic spurt in the future than it has done in the last 10 years for there to be much rise under any sort of a formula.

Senator HATFIELD. I appreciate that.

Mr. HELMING. I say there is a possibility that it could rise. Ten years from now it might be essentially the same if these total cost factors did not change materially.

Senator HATFIELD. Are you working on the public benefit factor study to be able to incorporate it into your—

Mr. HELMING. The industry right now is working on designing various ways in which actually a figure could be obtained. This is a difficult task but they certainly are thinking about it, yes.

Senator CHURCH. Thank you, Senator.

Senator FANNIN?

Senator FANNIN. Yes, Mr. Chairman.

Dr. Nielsen, on page 6 of your position paper you have a summary of what losses would accrue and what gains would come about. I wonder if you would comment on that regarding what you think this will do to the industry in your State? Do you feel it will result in a reduction of the cattlemen in your State?

Dr. NIELSEN. The table on page 6 of that is ignoring the 10-year time period of adjustment and assumes that the fee is \$1.23 and it ignores what would happen to a new index and ignores the fact that the Forest Service has used \$1.23 as a base. But using that as the best figures I had available, I wanted to find out after this had its full effect what it would do to decrease rancher income, because if you increase fees it is going to decrease his income.

So, I made these estimates and that is what they are based on, that fee, and it would decrease annual income to ranchers in the State of Utah, assuming the AUM's grazing in Forest Service and BLM remain constant, about one and a half million dollars annually. I do not think that an industry as depressed as the livestock industry in the State of Utah could survive, that all of the ranches could survive this kind of an increase.

I might comment a little further on the secondary impacts. This is somewhat open for question, but I think there are going to be some serious secondary impacts because as ranchers' incomes are reduced they spend less in the local communities, less with the machinery dealer, less at the service station. This is going to have its effect on the secondary segment of the local and State economy and this could be significant.

I have done quite a bit of research trying to find out what type of multipliers might apply here and I find a range from 1.9, I think, to 4.6, something like this. In the State of Utah the University of Utah did a study where they isolated the livestock sector out as a separate analysis in the input-output study and they estimated the multiplier at 4.3, the second highest of any sector in the State.

Of course, this assumes if exports are increased by \$1 there will be \$4.30 generated in the secondary segments of the economy and from what I can read I find that this would probably work in reverse, that if you decrease \$1 of spending, the livestock sector would have negative effect on the secondary segment of the economy.

Senator FANNIN. The question I was posing concerns what the end result would be. Do you feel that there will be a great reduction in the livestock industry in the State of Utah?

Dr. NIELSEN. I am not willing to put myself on a limb and say how many ranchers are going out of business, but they are leaving the industry in the State of Utah. I think it is primarily because of the cost-price squeeze and the economic conditions are just not very healthy in the livestock industry in the State. This fee increase affects only annual income and it is going to have an impact on this capital position. The combination of the two, I cannot help but believe, is going to increase the rate at which they leave the industry. I firmly believe that. And I think this impact on this capital structure could go on for many years because I see these ranchers with 20 and 30 and some of them 40 year loans with permits as the value of—you call it permit or they are commensurate property, whichever one you want—but it is used very strongly to secure this capital because if a fee policy wipes this out, it does not wipe out the obligation the ranchers has to his lending institution and he is going to be tied up for many years with this obligation that he has. I see some real serious negative impacts there.

Senator FANNIN. Dr. Nielsen, I agree. This is a very serious matter from the standpoint of the payoffs that are involved and also for the future financing of ranch operations. Thank you.

Senator CHURCH. Thank you very much, gentlemen, for your testimony.

Mr. PANKEY. Thank you, Mr. Chairman.

Mr. Chairman, I would like to submit a copy of the New Mexico testimony and a copy of Dr. Nielsen's position statement on the grazing fee problem and potential impacts of alternative fee adjustments for the record.

Senator CHURCH. Very well. They will be accepted for the record. Depending upon the length, the staff will either include them in the record itself or in the file.

(The documents referred to follow:)

STATEMENT OF THE NEW MEXICO CATTLE GROWERS' ASSOCIATION

The New Mexico Cattle Growers' Association appreciates the opportunity to present our views on grazing fees to this committee. We hope our remarks may help explain our problems and methods of operation, especially from the standpoint of New Mexico and other areas which enjoy yearlong use and are qualified for use on the basis of water. This condition is peculiar to New Mexico and Arizona and is in contrast to the seasonal use concept in use in other states. Permittees involved in yearlong operations harvest about one-third of all the animal unit months permitted on the Public Domain. Grazing of this type is generally referred to in terms of "cattle yearlong" in contrast to the better understood land base, "seasonal use".

Public Land grazing operations came about in a different way in the water base areas. These are areas of mild climate with a long growing season, very little rainfall and generally little or no natural water. Wells are deep, the water poor and in small quantity. The permits were set out on the basis of how far a cow or sheep could travel from year-round water, and the man who had developed the water received the area to graze that could be serviced from the water available. Today, as the development process continues, it is not uncommon for a fully equipped well to cost \$10,000. These wells run up to 1,000 feet in depth and will pump five gallons of water per-minute that is unfit for human consumption. Modern knowledge of geology and techniques of well drilling have been of little help in either finding additional supplies or decreasing the costs involved in exploration and development.

Development of heavy tractors and earth moving equipment has permitted the economical building of dirt surface "tanks" to catch runoff from thunderstorms when they come. We've found this type of range improvement most helpful;

however, the storms are not dependable and it takes many tanks to have any certainty of water.

Most are and have been built by the permittees. Of course, we would feel most fortunate if wells strong enough to supply several tanks by use of pipelines could be found, and more fortunate yet if electricity is available to pump what is found.

The water base permittee very frequently owns a very small proportion of the land he uses. He owns the homestead of 160 or 320 acres around his water, and as a matter of fact, the water is the only factor that made the homestead possible. He came West and settled and had the use of the surrounding Public Land for his livestock. This was one of the reasons for the passage of Expanded or Livestock Raising Homestead Act. The grazing permit has value because he developed water, built facilities, and created a grazing operation where there was nothing useful before. Most of the allotments are individual rather than community and are fenced. Each permittee is responsible for his operation and the condition of the range. He receives benefit from any range improvement work he does and the full consequences of any mistake. He owns little land, but has a great investment in those improvements which make any grazing of the Public Land possible—and any use by wildlife, in many cases. Because wildlife benefits here, the public shares in benefits from these developments.

Drilling of these costly wells is ridiculous to graze the two to four cows that could run on his homestead, but it is not so unreasonable to service the sixteen sections that will run from 100 to 160 cows. He will have another \$10,000 in fence and as much as he can afford in tanks and other facilities. He also has a home. None of this is of any value at all unless someone can use it profitably—use it to support a family. The allotment is generally too far from town to allow the permittee to have supplementary income unless he can work for a neighbor who is large enough to hire help, but who is in exactly the same investment position.

With this background in mind, the industry fully cooperated with the 1966 Western Livestock Grazing Survey and we, in no way, wish to cast doubt on the general validity of the survey or upon the Utah model. In fact, we wish to point to the testimony of Dr. Darwin Neilsen during the case of Pankey Land and Cattle Company vs. Hickel and Hardin in United States District Court, Albuquerque, New Mexico, on February 18, 1969. He said, "Any interpretations placed on the study other than those based on the model render the study invalid." Dr. Neilsen is the economist at Utah State University who developed the model and conducted the study.

We do object to the validity of the method in which the fees were reached in the current rule making and to the projected fee. In view of Dr. Neilsen's testimony, we also object to the contention the fee is based on the study. The Bureau of Land Management Grazing Fee Analysis in its discussion of impact is most misleading in regard to yearlong areas. It purports to show that some 23% of the New Mexico permittees have smaller than 100 AUM permits, and that, on the average, they would not be affected by the new proposals until 1974. Under the 1968 fees of \$.33 per Animal Unit Month, 30 AUMs would be allowed at the \$10 minimum. Translated into cattle yearlong, this is 2 and ½ cows, or to be practical, two cows. At the 1969 rate of \$.44/AUM, this is 22 AUMs or short of two cows yearlong. At the 1970 proposed rate of \$.53, it will allow one cow yearlong and another for six months or so. We submit that the only permittees not affected immediately will be those with "free use". The term "AUM" is misleading when applied to yearlong conditions and the impact of the fees falls upon a greater number much sooner.

The proposed fee schedule will have serious impacts upon conservation and the proper use of the range. If all economic factors remain in the same relationship, the increased fees will come directly out of the net income of the permittee, if any. His first consideration is a living for his family. The conditions of the last fifteen years have had all operators in an economic squeeze, and they have been forced to operate as economically as possible. Further cost increases will inevitably lead to more pressure on the resources and less conservation work. This will be both because he cannot afford it and because he may reach the point that he no longer cares since he is not being considered by the Government. Another impact that is equally important comes about in the stocking of the range. The yearlong areas have been traditionally cow-calf operations. The normal time of change in livestock numbers comes in the fall at weaning time. Range conditions are estimated and cows sold or added at this time. This is for several reasons. At the same time, the public benefits accrues from the same improvements.

Yearlong operations depend very greatly upon the nerve and judgment of the operator. His livestock are on the range all the time. He must be able to guess how many he can run at any one time so that either the dry grass will last until some more grows, or he must not use up the growing grass so fast that he will not be able to winter his herd. His stocking rate has to be so adjusted and determined that he can run the greatest number of cattle, but at the same time no be in a position of overgrazing. If he misses on his estimate of capacity, he can, for a time, buy feed to get along until he can adjust if he is too high. If too low, any grass that should have been grazed that is left in the summer is wasted and simply blows away. The stocking rates on the water base areas have been established by trial and error, and it is a genuine art to be able to do so. There is a rule of thumb in New Mexico that a section of land will carry one cow for each inch of rain that falls during the growing season. The general result is that the stocking rate is almost totally dependent upon rainfall. We operate on the faith that it will rain sometime.

In the fall, the growing season is over and a reasonable determination of winter feed may be made. The cattle have been gathered to wean the calves and they are on hand and can be inspected. They are at their best weight and condition. Cow-calf operations have a number of risks, but one of the greatest is for summer rains to fail or to be very late. In this case the cows all have produced a calf, the winter feed is used up, and there is no new feed coming. Cows are at their weakest at this time and without green feed their milk production is falling off. Many a rancher in this position would like to cut down on his herd at this time but it is almost impossible to do so. Cows, if let alone and given some protein supplement will get along, but if they are gathered, crowded and put under the stress of being worked, they frequently are then too weak to stand up on the trucks in shipment. In addition, they are separated from their calves and frequently cannot identify them again. The result is a cow in the poorest condition possible at a time when there is little or no market for her, and a dogie calf which will die if he cannot find a mother.

Many permittees have made it a practice to carry a few less cows and substitute weaned calves to fill out the operation. These calves or yearlings are merchantable at any time and can be removed in an emergency. They are, however, less profitable than running cows. A practical rule is that 5 yearlings can be substituted for 3 cows. Under past fee structures, the added cost in fees of making the substitution was not a controlling factor. (All animals over 6 months old are charged the same fee.) Under the proposed structure, the fees will be most significant and unless changes are made, it will pretty well prevent this practice of substituting yearlings and will be detrimental to the range. It is an artificial barrier to good management practice and flexibility.

We mentioned very briefly the factors which created the value of the grazing permits. This value is most important to the permittee, probably more so to the yearlong operator than to the seasonal. To emphasize this, the yearlong permittee owns very little land—generally only around his water, and the land he owns is scattered at random throughout the permit according to where the water has been found. The improvements on it are many times greater than could be justified by the carrying capacity of the private land. If, for any reason he should lose his permit or should the fees be so high as to make the use of the Public Land unprofitable or uneconomical, he can use nothing. He would have to fence his private land in order not to be in trespass, and the cost of the fence alone would be far in excess of the value of the grazing. As fees rise, making the permit uneconomical, he can sell to a more efficient operator, but at some point in the rise of the fees, the next operator has to go out of business, and so on. The result is declining competition for permits and a decline in their value, until at the end, there is none to buy and the permit has no value.

The main difference between the seasonal and yearlong position is that in the seasonal there is a land base which consists of a unit of private property capable of sustaining the permitted livestock for some portion of the year. It may well be farm land for the growth of winter feed. In such a case, there could be some residual value if the permit were unusable. It would, however, be only a fraction of the value of a going operation with the permit. The use of the permit is still governed by the same economic factors as in yearlong areas, and a fee increase which makes use of the permit uneconomical has the same result.

Most of the studies of permit value have shown this value is dependent upon the value of whole ranch operations and fee levels have little influence, up to a point. The value of ranch operations is dependent upon the expectation of a profit, (the ability to support a family). This expectation is dependent upon the difference between costs and returns. Current studies show that the average range livestock operation returns less than 2% on investment. Explanations of the fee study indicate that the ultimate proposed fee would constitute increase in the permittee's cost of operation of up to more than ten percent. Unless the general economic position of the permittees becomes better in the next ten years than it has been for the past fifteen, it is easy to see that there will be very few still in business by the time the fee reaches its maximum.

The stated purpose of the fee increase is to drive the permittee from the range if one is to understand the comments from both the Bureau of Land Management and Forest Service. The statement is that the permit value is of utmost importance—that it has come about as a result of fees being too low—it is a “windfall” to the permittees and the Government is entitled to “recapture” this value. (It completely escapes us as to the logic of how something that was never possessed in the first place can be recaptured.) This is to be done through setting a fee which is “equal to the full economic value of use”.¹ Disposal “of the permit value per se is the most important aspect of the grazing fee issue”.² The same principle was discussed in several documents of the Bureau of Land Management with the NABC.

The economic principle involved is based on the assumption that grazing can be carried on if the fee charged is the same as, or more than, the net value of the forage to an owner of land. If this were true, no owner would, under any condition, operate his own ranch because he could receive the same return by renting it at no risk or management cost. The facts are to the contrary. In the long run, the lessee must have sufficient margin to cover risk and have reasonable expectation of a profit or he will not operate as a lessee.

Permit value has little relationship to fees within a certain range. Under recent economic conditions, fees would have to decline to zero or even below (subsidy) before the permit value would increase. On the other hand, due to the low profit margin of the permittees, it is doubtful that permit value can survive more than half of the proposed increase. The principle here is that permit value is related more to the value of whole ranches. When the fees rise to the point of making the operation of least efficient permittees unprofitable, they sell out to the more efficient. As fees continue to rise, there is less demand for ranches having grazing permits, and due to less competition, the permit value declines. At some point there is no permit value simply because none will buy. The whole process of destruction of permit value will be hastened as those who finance permittees see a decreasing ability to repay loans and they will loan less and less, or refuse entirely.

We feel certain that unless the proposed fee formula is changed to reflect a reasonable interest cost on permit value, the grazing on public lands is rapidly approaching an end.

In this context, we find ironic the testimony of George Turcott before the Federal Court in Utah recently to the effect that the new fee structure will do more to stabilize the industry than anything else in that the permittees can say that they are paying full market value for the forage.

We ask that you consider this matter and we thank you for the opportunity to present our position.

Senator CHURCH. I have a request here from one who is on the witness list and would have testified personally but cannot, Mr. Reuben L. Johnson, who asks that his written statement appear in the record as if read. Without objection, that will be done.

He also asked that a statement of the Utah-South Idaho Farmers Union be included in the record and without objection, that also will be done.

¹ U.S. Forest Service, *U.S. Forest Service Grazing Fee Program*, presented to American National Cattleman's Association, Oklahoma City, Oklahoma, January, 1968.

² U.S. Forest Service, *Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue*, November 12, 1968.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman and members of the subcommittee my name is Reuben L. Johnson. I am director of legislative services of National Farmers Union. Our address is 1012-14th St. NW, suite 1200, Washington, D.C.

I appear here in opposition to the recently announced increase in grazing fees on public lands.

As a result of recently altered grazing fee policy producers over a 10-year period will be required to pay \$1.23 per animal-unit-month. This is an increase of 300 percent over the existing fee.

If this grazing fee policy is not rescinded through executive branch or congressional action, farmers and ranchers and their communities throughout the West will suffer a severe economic setback. The altered policy does not consider the net-income loss to already hard-pressed ranchers throughout the West. Also, substantial losses in capital assets presently owned by farmers and ranchers would result.

CAPITAL LOSSES

During 30 years for the Bureau of Land Management and much longer for the U.S. Forest Service, permits to grazing public land have been capitalized into farm operations. Permits for grazing on public lands have been sold at market prices along with other farm and ranch assets. The present generation of farmers and ranchers owns an asset tied to the public grazing lands with a value for an animal-unit-month of grazing approximately comparable to the grazing value of privately owned ranch land with comparable productivity.

I am told by Mr. Karl Shisler, president of the Utah-South Idaho Farmers Union, that grazing permits in these States are being sold for approximately \$14 to \$25 per animal-unit-month. In this connection I quote from a study of Darwin B. Neilsen and N. Keith Roberts of the Utah State University:

Grazing fees are part of the cost of using public ranges. Therefore, an increase in fees would cause a decrease in the value of permits owned by ranchers. A fee increase as large as the one announced would reduce the permit value to zero.

The key issue in the grazing fee policy controversy is whether the Federal Government will recognize the permit value as a cost of doing business for the rancher. *If the permit value is recognized there is no justification for fee increases* because total costs of using public and comparable private lands are statistically equal. Of course, society does not get paid the full value of the contribution public forage makes in ranching. However, society, through its agencies misprised the resource in the first place and created the problem. Present day ranchers have bought permits at market prices as a capital asset just like land. Is it just to confiscate this asset now?

The following table calculates the losses. It also is taken from the study of Mr. Darwin B. Neilsen and N. Keith Roberts of Utah State University.

LOSS OF CAPITAL ASSETS, UTAH AND THE WEST

| Land class | Permit values | Utah capital losses | West capital losses |
|------------|---------------|---------------------|---------------------|
| BLM..... | \$14 | \$18,867,000 | \$165,000,000 |
| USFS..... | 25 | 14,392,000 | 178,000,000 |
| Total..... | | 33,392,000 | 343,000,000 |

FARM NET INCOME LOSSES MEANS MAIN STREET INCOME LOSS

The Utah State University report referred to above shows that prior to increasing grazing fees cattle ranchers had been realizing only a 2-percent return and sheep ranchers only a 2.6-percent return on their investments. Cattle and sheep operations cannot stand further losses in net returns and survive. Increasing the cost of grazing will further aggravate the already senseless migration from farm to cities creating more economic problems for rural and city areas alike. The authors of the study referred to above predicted that business losses in Utah could reach \$1.7 million annually in the secondary sector of the economy. They estimated income loss to Utah farmers at one-half that amount. The authors of the report also estimated that the decreasing values of farm and ranch properties could reduce the county and State tax base for the affected area.

Mr. Chairman, the witnesses who have represented producers before the subcommittee have repeatedly asked in one form or another: "Can an industry that is already depressed by increased operating costs and low rates of net return on invested capital stand the shock of further increasing the cost of production?"

Speaking for our farmer and rancher members who use public land for grazing, we do not think that the livestock farm and ranch operations involved should have inflicted upon them a further increase in cost by a higher fee for public grazing land. We hope that the committee will see fit to approve legislation such as that which has been introduced by Senators Gale McGee, Lee Metcalf and Joseph M. Montoya.

(The additional statement referred to follows:)

STATEMENT OF THE UTAH-SOUTH IDAHO FARMERS UNION

Utah-South Idaho Farmers Union deeply deplores the actions taken by the Secretary of Interior and the Secretary of Agriculture in drastically increasing to \$1.23 per A.U.M., grazing fees on public lands. This proposed increase is to occur in incremental stages over the next ten years.

The two governmental agencies base the projected increase on calculations which show 90 cents per A.U.M. as being the average difference between the costs of grazing upon public lands and grazing upon private lands. (\$1.23—\$.33=\$.90)

However, their computations fail to consider the grazing permit as a capital investment. Grazing permits are presently transferred or sold under certain governmental restrictions for approximately \$14 to \$25 per A.U.M. Considering the above sum of money as a capital investment subject to a six percent interest charge, and using these figures as an additional cost imposed upon the users of public ranges, we see that such users are in actuality paying from six cents less to sixty cents more than the individual who is grazing upon private ground.

A study by Utah State University shows that if the proposed, increased, grazing fees go into effect, there would be a loss of annual net income of \$835,000 suffered by the livestock people in the State of Utah. Capital losses estimated by the report would amount to approximately 33 million dollars, and community losses could reach \$1.7 million in annual income per year.

The Utah State University report also shows that with the present grazing fee schedule in operation, cattle ranchers have been realizing only 2.0 percent and sheep ranchers 2.6 percent return on their investment.

Since a great amount of the income that flows into the intermountain rural areas is derived from the sale of livestock which graze upon the public lands, either to decrease the amount of livestock upon the ranges through a cut in permit numbers or to increase the operational expenses of the ranches through an increase in grazing fees, results in decreased funds the rancher has to spend in

the rural community. Thus the rural community is deprived of income it needs so badly in its efforts to survive.

With these facts in mind, Utah-South Idaho Farmers Union directly goes on record as opposing the increase in grazing fees and feels that public hearings should be held in the intermountain area.

Senator Church of Idaho, Chairman of the Senator Subcommittee on Public Lands, has indicated his intention to conduct a public inquiry, early in the next session of Congress, examining the subject of grazing fees in all of its ramifications, and we completely support him in this endeavor.

Senator CHURCH. Our next witness is Mr. Tom Kimball, Secretary, National Wildlife Federation, accompanied by Bill Winter, Arizona, and Franklin Jones, Idaho Wildlife Federation and the Ada County Fish and Game League.

Mr. Gutermuth, are you here? Are you speaking for Tom today or just in your own behalf?

Mr. GUTERMUTH. No; in my own behalf, Mr. Chairman.

Senator CHURCH. May I ask, is Mr. Kimball planning to come back and testify or is he going to submit a written statement?

Mr. GUTERMUTH. I talked with Mr. Kimball this morning and he indicated that he was planning to come at 2 o'clock this afternoon.

Senator CHURCH. Very well. We will go over into the afternoon and expect to hear from him then.

STATEMENT OF C. R. GUTERMUTH, VICE PRESIDENT OF THE WILDLIFE MANAGEMENT INSTITUTE

Mr. GUTERMUTH. Mr. Chairman, the Wildlife Management Institute is putting on its annual conference here now and I have had difficulty in attending this hearing. Perhaps I should say, first, I am C. R. Gutermuth, vice president of the institute, which is one of the older national conservation organizations in this country. Its program, incidentally, has been devoted to the restoration and improved management of natural resources in the public interest since 1911.

At this point, I will stop and say what I was going to say first. We are putting on the 34th North American Wildlife and Natural Resources Conference here in Washington right now. We expect about 1,400 people here from all over North America and, of course, this subject is of keen interest to all of them.

I deserted two bus loads of wildlife technicians from all over North America who went out to the Patuxent Wildlife Research Center this morning, Mr. Chairman, because I simply could not pass up this opportunity to testify on this very important subject.

The institute is pleased to join with the others who are concerned about the proper management of national forest and public domain resources. This is not a new subject. I have been involved in it myself personally for a quarter of a century. History provides many examples of sharp controversy over grazing "rights" versus "privileges" on Federal lands, fees and fee structures, and over the public use and enjoyment of public lands as opposed to the private uses being made of some of these same lands.

The events that prompt this hearing also have a history of their own. The matter of fair market value originated in the years of the Eisenhower administration, when a policy was adopted to scale the fees for public land uses at levels sufficient to return administra-

tive costs plus the values of the resources taken. This policy did not pertain to grazing alone; all fees and charges relative to Government services and goods were covered. Succeeding administrations have supported this policy principle.

Application of such a policy to public lands grazing is more easily said than done. As part of almost continuous negotiations with representatives of the grazing industry, an expensive, 2-year study was designed cooperatively and conducted by the Economic Research Service of the U.S. Department of Agriculture. Based on its comprehensive study, the ERS found that fair market value is not being received for forage on national forests and the public domain. Accordingly, the Bureau of the Budget, on January 10, directed that the U.S. Forest Service and the Bureau of Land Management begin to move in the direction of recovering fair market value for forage from grazing permittees. Instead of moving to eliminate the difference between current fees and fair market value in a single year, the Budget Bureau directed that this objective be attained in 10 equal annual steps, beginning in 1969. While this may be unfair in our opinion, to many who never have been granted such leniency in other matters by the Federal Government, we have no objection to spreading this over 10 years.

But even more importantly, we want the committee and the Congress to know that we endorse and support the findings of the ERS. We commend the Johnson administration for implementing the findings of this important study. That took some gumption, because the controversy here is more philosophical and political than economic. We congratulate the Nixon administration for announcing on February 18 that grazing permittees will be billed at the new fee scale beginning with this year. That took gumption, too, because sharp pressure was being exerted on the new administration to roll back this increase pending further study and other developments. The new administration wisely chose not to follow that course, and we believe it did so because of the impelling and conclusive case presented by the ERS study.

We have seen copies of some of the livestock industry's recent mailings and publications. Running through them are the themes that the fair market value concept poses a severe economic threat to ranch operators and western communities, that the very existence of the western beef industry is at stake, that up to 20 percent of the Nation's cattle are involved, and that Federal officials are engaging in an outrageous and cynical use of power. We are told that any change in the status quo will hurt the little fellow and will wipe out small western communities.

Conservationists, Mr. Chairman, have heard these charges time and time again. We heard them back in the 1950's when the western grazing industry tried unsuccessfully to carve out permanent vested rights in the national forests. We heard them again in the early 1960's when Congress finally acted to give the Bureau of Land Management some long denied and much needed authority to begin to inventory and classify the public domain and to think in preliminary terms of managing the immensely valuable public domain on a multiple use basis. We heard from grazing interests only months ago when an effort was made to let the Classification and Multiple Use Act expire when the

extension of the Public Land Law Review Commission was under consideration.

Maybe I should pause and say I am on the Public Land Law Review Commission Advisory Council and if time will permit I would like to discuss some of these things that have been exchanged in the previous colloquy in this hearing.

But, going on, we heard them last year when the Department of the Interior moved to bring some order and assurance of public access to the lands the public owns by revising and updating regulations pertaining to the so-called section 15 lands. The important point about all of these events, in the conservationist's view is that the Congress and the administration, after having the facts, invariably have found these charges lacking in substance.

Let us examine some of the facts:

1. Nationally, 5 percent of the operators with BLM permits control over 52 percent of the grazing. Going a little further, 11 percent of the BLM permittees control more than 74 percent of the grazing. Is public lands grazing really a province of the little man, we ask?

2. Nationally, about 25 percent of the permits for the Federal range are for less than 100 cow months of forage. The average livestock owner in this group will not be affected, as has been brought out here, by the fee increase for 5 or 6 years.

3. The low grazing fee on Federal range has encouraged widespread subleasing. In grazing districts in eastern Montana, for example, over 50 percent of the BLM forage that is sold is subleased. The rates charged for the forage extend anywhere from ten cents to \$4.42 per cow month more than that charged by BLM. In that area, more than half of the BLM forage goes to the livestock operator through middlemen and organizations, at rates from two to 14 times greater than the BLM fee. There are only about 27,000 permittees throughout the entire country. In fact, about 700 of the 16,000 operators holding permits in BLM's grazing districts control more than 50 percent of the livestock use.

4. It ought to be said over and over again that only about 2 percent of the Nation's livestock ever use the public lands. The cost of using forage produced on these lands amounts to less than 4 percent of the rancher's cost of doing business. The other ranchers who handle the remaining 98 percent of the Nation's livestock get no subsidy at all from low cost Federal forage.

5. BLM collects on an average of only about 30 percent of what the States themselves charge for grazing on comparable State lands. On some lands, such as Indian reservations, where ranchers bid for grazing and where they are subject to such things as 30-day cancellation clauses, lease rates run from \$1 to \$2.50 per cow month.

6. Recent bids for public land grazing by BLM permit holders ranged from \$1.50 to \$4.00 per cow month on areas outside of grazing districts where forage is sold by bid.

Grazing permits on national forests and the public domain attach to private ranches. As a result, the ranch purchaser normally can expect to get the permit that was attached to that property when public land grazing first was brought under regulation.

Yesterday I heard testimony that about a third of the present permittees are in that category. When an individual buys a ranch which

has a permit to graze on a national forest or the public domain, he must pay the owner a premium in addition to the base price. That premium, commonly called permit value, averages about \$14.50 per cow month for BLM grazing permits and \$25 for the national forests. The concept of permit value developed because of the low fees traditionally charged for forage on public lands and for protection against having to bid competitively for it.

It is a matter of public record that some ranch sales have been made on a two-part basis—the selling price for the private property and the selling price for the public property represented by the number of AUM's attached to the base ranch. Most sales are not recorded that openly, but suffice it to say that recognition of permit value and not what ultimately may be charged for Federal forage is at the heart of the current controversy. Let me make one thing clear. I would like to make it abundantly clear that it is our feeling that it is not so much the increase in the fees that is concerning the livestock people. It is this matter of permit value.

Because permit value is a governmental privilege that they can sell, ranchers want it taken into consideration now. But this argument does not have much weight, as competent analysis shows in the study report of the Economic Research Service.

Permit value is in conflict with the Taylor Grazing Act, the keystone for private grazing on public lands administered by the Bureau of Land Management. That Act stipulates:

So far as consistent with the purposes and provisions of the Act, grazing privileges recognized and acknowledged shall be adequately safeguarded, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in or to the lands.

The courts and the Secretary of the Interior have said that section 3 of the Taylor Grazing Act specifically prohibits recognition of permit value. They have held that grazing on public lands definitely is a privilege, not a right. They also have said that the Taylor Grazing Act would have to be amended if permit value is to be recognized.

I seriously doubt, Mr. Chairman, that the spokesmen for the grazing industry would care to open the Taylor Grazing Act for amendment at this time. They are intelligent men, and they, too, have observed what is taking place in this country with respect to greatly increasing population and the widespread demands for the consumptive and non-consumptive uses of the national forests and the public domain. They know, too, that the public is demanding better levels of management to regulate public land uses and to safeguard the resources involved.

Frankly, Mr. Chairman, I do not believe that the American public would be agreeable to giving any one segment of public lands users, the grazing industry, a stronger hold on the Federal lands. No one relishes the prospect of giving any individuals or groups a vested interest in public property. At the same time, I am not aware of any significant feeling against grazing permittees—many of them in this room are my good friends—who all are proper and legitimate users of the public lands. To be sure, there are cases of permittees posting public lands or of charging the public a fee to use those lands, but these are susceptible of correction through ordinary administrative procedure. I feel positive that (1) the American public is going to insist

that permittees not be granted a private right in a public resource and (2) that all public land users pay a fair price for the goods and services received.

It is hoped that this committee will hear from counties that receive a share of the revenues generated by grazing and other uses of the public lands. Payment of fair market for forage, of course, will increase each county's share of the receipts. States likewise benefit. A portion of the receipts also is returned to the grazing districts for range improvements and for many other discretionary uses.

We believe that greater amounts should be invested in range improvements, Mr. Chairman. In past years, conservationists have urged larger appropriations for range rehabilitation. There is need for improvement of the Federal range, because much of it is in poor and deteriorating condition from over-use. This is, in part, a reflection against permit value. Under current practice, permit value is based on AUM's. The more AUM's, the greater premium a ranch seller can collect from a ranch purchaser. More and more, cattle are being fattened in feed lots; the Federal range is merely a place to hold the animals until such time as they are shipped away for finishing. The permit value concept, in practice, works to encourage over-use of the range because by agreeing to a reduction to accommodate range conservation, the permittee reduces the premium value of his AUM's.

In summary, Mr. Chairman, the institute joins with the others who believe that the grazing fees should be increased as directed to achieve fair market value for the forage that is taken. We reject the concept of permit value. We believe it would be contrary to the public interest to give a private party a vested right in public property. To fail to uphold this important issue at this time will only serve to prolong an already undesirable situation with respect to grazing use of the national forests and public domain. We firmly believe that sufficient facts are at hand, arrived at after thoughtful deliberation in cooperation with the public lands grazing industry, to sustain the correctness of the course of action that has been taken.

I listened yesterday, Mr. Chairman, to the comments and the desires of these people to prolong the start of this increase. Now, the taxpayers of this country already have spent a million dollars on a study which proved conclusively that the fees should be increased. It also took this matter of permit values under consideration and it quite obviously was decided that this is not in the public interest.

I have heard a lot of discussion on this and have heard these requests that we delay until the Public Land Law Review Commission completes its report and study.

Now, I am a member of that Commission, its Advisory Council. I have been devoting my Saturdays and Sundays, as Senator Jordan said, going to meetings, trying to work out things as best we can, but I would like to say that to finance that complete and comprehensive study that involves all of the public land resources and all of the thousands of rules and regulations involving all of the public lands in this country, the Congress appropriated, it is my recollection, \$7,390,000 for that study which extends over a period of 5 years. But I want to repeat, it covers all aspects of an entire public lands study.

Now then, we spent a million dollars on this one study and that study

revealed conclusively that the grazing fees should be increased. What more proof do we need?

I hope that there is not going to be any request for delaying action—I was pleased yesterday, Senator Hansen, that you indicated that you did not feel that any legislation should be enacted until the PLLRC study has been completed.

Now, I commend you for that. I think that is excellent. I believe that we should wait on most new legislation until the Commission completes its study and comes forward with its specific recommendations. That is fine. But, I have said publicly before that Commission, and I would like to say here, that this must not apply to these administrative agencies which are the custodial and management agencies of the Federal Government that are charged with looking after these resources in the broad public interest. They have been given legal directives by the Congress as to what should be done. In this particular case, the study revealed that the grazing fees should be increased and I do not think that there should be any impediment in the carrying out of this directive pending any further study or review.

Now, if studies come along which reveal that we should take another look, then I am all for that.

Well, Mr. Chairman, I appreciate this opportunity. Perhaps I have taken too long, but—

Senator CHURCH. Indeed you have not, Mr. Gutermuth. You have made a very forthright statement of your position. I think that with regard to the question of the study there does not seem to be any serious argument about the competency of this study or the figures that have been used and the cost factors that have been used. It really is a policy matter, whether or not the value of the permit fee ought properly to be included as one of the items of cost or whether it should not.

Now, that is a policy matter that I think is one that has to be settled one way or the other. But apart from that, I think that the general accuracy of the figures that were reached in this study is not a matter of dispute.

Mr. GUTERMUTH. Well, of course we contend that this matter has been settled. We contend that it is quite clear in the Taylor Grazing Act. Of course, these matters are always subject to review and consideration by the Congress. We respect that. But on the other hand, if this matter is going to be reconsidered, then we think that you must go into the basic land laws of this country.

I cannot help but take a position against this matter of permit value. Downtown in my offices I had some improvements made or put in to increase our productivity, namely, a sink and a water system, for our use in our mail room, and so on.

Now, the landlord did not want to provide these additional requirements. These were things that I wanted for my benefit. So, when I made that installation, under the basic land laws of this country, it was at my risk and my responsibility. If I would have moved out of that set of offices a short time thereafter, well, my investment would have been gone.

Now, that applies clear across the board to full-time tenants, and grazing permittees are only short-term, part-time users.

All of the improvements that are made on the public lands by the permittees also are done to improve the productivity of that land which improves their capital, improves their well-being first and the overall national benefit secondly.

Well, I will quit with that. Alan, you know I could go on.

Senator BIBLE. I know you very well.

Senator CHURCH. Senator Anderson, do you have any questions to ask?

Senator ANDERSON. I do not think so. I merely want to say I do feel the grazing permit has definite value. It is used as basis for loans. I have seen it happen that way. I am not worried about it at all. I just think this is a question for a very extensive study.

Senator CHURCH. Thanks, Senator.

Senator Fannin, do you have any questions?

Senator FANNIN. I certainly appreciate Mr. Gutermuth's dedication to his work and I realize what he has been doing as part of the Public Land Law Review Commission. I think that you were here when Secretary Train was commenting about the major issue that relates to the permit value, and he said:

For our part, the Department will keep this whole matter under review in the future. We will be evaluating and reviewing with great care the information that will be presented at both this hearing and the House Committee hearings next week. The legislative proceedings now in progress—

He refers then to—

We also believe that the Public Land Law Review Commission might later have some information and recommendations that could reflect on the scheduled grazing fee increases. Because the scheduled increase in grazing fees has been implemented does not mean that the subject is closed forever.

I think you agree with that, do you not?

Mr. GUTERMUTH. That is right.

Senator FANNIN. I think the great concern that we have had from my State is the effect that this 10-year announcement is going to have on the financing of many of these ranches. We do have instances already where the financing companies have taken a position different from what they had before because of this action. So if there is a contemplated change, our concern is that it would be announced all at one time for the full 10 years.

Mr. GUTERMUTH. Yes. I agree with that and I think these matters, as I said, always should be open to further study and review. The fact still remains that in this case we spent well over a million dollars to conduct this study. The determination has been made and the rules have been promulgated and it has been put into effect. And we feel that until there is some clear showing that the recommendations by the ERS and the action taken by the two administrative agencies under law, until there is a clear showing to the contrary, that this thing should go ahead—we feel that both fair market value, and the value to the general public, was recognized in that study.

Senator FANNIN. I think in the comments of the Public Land Law Review Commission we have said these matters are relative, and that we will take into consideration the overall picture and that we will continue our studies. As you very well brought out, these studies are being continued at great expense, and certainly should be given recognition. I think we both agree on that.

Thank you very much.

Senator ANDERSON (presiding). Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

I want to add my word of welcome to those already extended to you. I have had the great privilege of knowing Mr. Gutermuth for a long time. We have worked together more times than we have found ourselves arrayed in opposition.

I appreciate your finding some merit in the observation I made yesterday when I expressed the hope that this Congress would not attempt to amend piecemeal much of the basic legislation which concerns all of us here today. I am delighted you agree with me.

I think that the crux of the argument that is shaping up here is the interpretation of circular A-25, which was an Executive order from the Bureau of the Budget dated September 23, 1959. Referring to that order, subsection B of the general policy has this language:

Lease or Sale.—When federally owned land resources or property are leased or sold, a fair market value should be obtained. Charges are to be determined by the application of sound business management principles and so far as practicable and feasible in accordance with comparable commercial practices charges need not be limited to the recovery of costs. They may produce net revenues to the Government.

It is my observation that this language is sufficiently broad as to justify the action taken by the Department of Agriculture and the Department of the Interior. It is also sufficiently broad to give the stockmen reason to question if indeed the fees and charges determined have been determined on the basis of sound business management principles.

I think that the contention made by the stockmen here is that there can be no question that the investment they have in permits constitutes one of the considerations of sound business management principles, and that it must be recognized. I find further reason to subscribe to that view in turning to changes in existing law.

I am referring now to No. 6 wherein this language is found:

Changes in Existing Law: In cases where collection of fees and charges for services or property in accordance with this circular is limited or restricted by provisions of existing law—

Let me just repeat that—

In cases where collection of fees and charges for services or property in accordance with this circular is limited or restricted by provisions of existing law, the agencies concerned will submit appropriate remedial legislative proposals to the Bureau of the Budget under the established clearance procedure as provided in Bureau of the Budget Circular Number A-19.

It is my contention, and the contention of the stockmen here, that the new way of arriving at grazing fees is not in concurrence with existing provisions of law. Accordingly, legislative steps should have preceded the changes which were made from the directive spelled out clearly in the Taylor grazing law and in subsequent legislation enacted in 1951. These legislative steps are necessary before a new method of arriving at charges for grazing fees is indicated.

I just wanted to call that to your attention, because I have great respect for your judgment. I would hope that we might reach an accord on some basic facts that are at the heart of the controversy.

Mr. GUTERMUTH. Of course, Senator, I listened to Mr.—maybe I should say my good friend Reuben Pankey, here this morning. He

wants to settle this thing. Certainly, I would like to settle it. I have been coming down here for 20-odd years testifying on this very subject. It is time that it should be settled.

I heard statements this morning that the IRS is recognizing some of these things. Now, if the IRS is recognizing this to the extent that it is giving these people credit for interest paid on indebtedness which appears to be done on all forms of indebtedness, then perhaps I do not have any objection to that. But, if IRS is recognizing permit value, which is nothing more than a Government privilege, then I think this thing needs to be studied very, very carefully, because I contend that we should not be making it possible for me or any other citizen to borrow money using Federal property for collateral. And this is, in effect, what I think we are talking about. I think that it is time that this ought to be settled.

Under this system which has grown up like Topsy for 30 years, a third of the permittees, it appears, are getting a great benefit in much lower fees while the subsequent purchasers or newcomers have to pay for a permit to use the public lands and are not doing so well.

I brought out in my statement that while the same form of leniency is not being given to other people, I am perfectly willing since we permitted this to grow for 30 years to let them amortize this adjustment over a period of 10 years. Even so, I think that it is high time that we bring this adjustment about, and when they say to me that this industry and these individuals are going to suffer, then my answer to that is, Mr. Chairman, let us hold another hearing a year from now and determine whether or not there has been a real serious injury to the industry. If there is, then I, like everyone else, will ask for an adjustment if it is in the broad public interest.

Senator HANSEN. Mr. Chairman, you have been more than generous. I just want to make two or three points.

No. 1, the IRS does recognize the permit value in the settlement of Federal estate tax claims. It is also recognized by the Engle Act in 1942. When the actions of the Federal Government required that a range be taken over, there was a cash payment permitted for the grazing permit investment under the terms of that act. The Farmers Home Administration also recognizes the permit value.

I do agree with you that the matter ought to be settled. Some people have said if it is recognized, why is it not taxed? In my own State of Wyoming, we do not tax everything. The 50 States do not tax the same assets. Wyoming does not tax bank deposits. We do not tax investments in stocks and bonds. We do tax real estate. Maybe this is not right. I simply want to make the point that the Federal Government in three specific instances has recognized that the stockman does have a legitimate and real investment in these permits.

Thank you very much, Mr. Chairman.

Senator CHURCH. We have to move along. Let me ask Senator Hatfield if he has any questions. I did not mean by that, Senator Hatfield, to preclude your questions.

Senator HATFIELD. No questions.

Senator CHURCH. Thank you very much, "Pink," for your testimony. As usual, you presented your case in a very clear and forceful way.

Senator Bible has advised me that the Nevada delegation has a special transportation problem, and he has asked me if I would not ask the Nevada people to testify now in order that they will not miss their plane.

I will be glad to accommodate you in that, Senator Bible, if you will please call up your witnesses.

Senator BIBLE. I will very much appreciate it if the Nevada delegation will come forward, and since it might set a pattern for future witnesses that are called, I have asked you to give them this special privilege, but in turn they have agreed they will not en masse talk over 15 minutes. So this may be a good prelude for the balance of the hearing. We have used this repeatedly, and they will not talk over 15 minutes.

The spokesman for the group will be John Carpenter. These are all very distinguished Nevadans, and I will let him introduce his own group.

Senator CHURCH. Very well. Mr. Carpenter, we are pleased to welcome you this morning. I would appreciate it if you would first identify the others who are with you.

STATEMENT OF JOHN CARPENTER, JR., COMMITTEE MEMBER, NEVADA STATE CENTRAL COMMITTEE, NEVADA GRAZING BOARDS, ACCOMPANIED BY VERNON DALTON, VICE PRESIDENT, NEVADA CATTLE ASSOCIATION; EYER BOIES, ELKO COUNTY COMMISSIONER; NORMAN GLASER, NEVADA STATE ASSEMBLYMAN; ROBERT THOMAS, IMMEDIATE PAST PRESIDENT, NEVADA FARM BUREAU; AND LLOYD SATTERTHWAITE, PRESIDENT, NEVADA WOOL GROWERS ASSOCIATION

Mr. CARPENTER. Thank you, Mr. Chairman. On my right, far end of the table, is Mr. Vernon Dalton, vice president of the Nevada Cattle Association. Next to him is Eyer Boies, presently an Elko County commissioner. On my immediate right is Norman Glaser, Elko rancher and member of the Nevada State Legislature. Myself, I am representing the Nevada State Central Committee, Nevada Grazing Board. To my immediate left is Mr. Robert Thomas, immediate past president, Nevada Farm Bureau. Next to Mr. Thomas is Lloyd Satterthwaite, president of the Nevada Wool Growers Association.

Senator ANDERSON. Thank you very much.

Mr. CARPENTER. Mr. Chairman, members of the subcommittee, in the interests of saving time we ask that the statement be introduced in the record in its entirety but we will only highlight parts of the statement that pertain in most part to Nevada.

I might add that we agree with and support the positions of the American National Cattlemen's Association, National Wool Growers Association and the American Farm Bureau.

I will skip through this and try to highlight the points that we feel are most important.

Section 3 of the Taylor Grazing Act (43 U.S.C. 315b), authorizes the Secretary of the Interior to issue permits to graze livestock "upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees

the Secretary of Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes."

This same section concludes as follows:

So far as consistent with the purposes and provisions of this act, grazing privileges recognized and acknowledged shall be adequately safeguarded, but the creation of grazing district or the issuance of a permit pursuant to the provisions of this act shall not create any right, title, interest, or estate in or to the lands.

We respectfully submit that the Secretary of the Department of the Interior has violated his duty under the Taylor Act to establish a reasonable fee and to safeguard recognized grazing privileges. The SRS report includes capitalization of permit value as a cost of business. The Secretary arbitrarily threw out that factor for the one reason that to include it would recognize a proprietary interest in the public lands. The Taylor Act provides in the above quoted portion that no proprietary interests shall be created in public lands by the issuance of a permit to graze. The setting and payment of grazing fees incidental to issuance of a grazing permit is simply part of the permit procedure and certainly could not be construed as granting proprietary rights in light of the language of the act.

There are many court decisions which announce the principle that a person cannot acquire an adverse proprietary interest in public lands—no ownership is acquired unless it is expressly and clearly granted by act of the Government.

The agencies concern, although unfounded, could be easily eliminated by an amendment to their rules and regulations or by a simple act of Congress providing that no proprietary interests will be granted by the use in the grazing fee formula of a capitalized permit value cost item or other cost items. It has been the experience of the livestock industry that the agencies have been rather quick and prolific in making rule and regulation changes when it is to their advantage. They have had ample time to implement the SRS study into their fee regulations, but have failed to do so and as a result they have involved Congress, the livestock industry and the agencies and countless Government employees in these time-consuming and expensive proceedings. The money that will be spent by the ranchers and Federal Government in these fee disputes could have been spent in making range improvements. The livestock industry is on record as being willing to accept the SRS grazing fee study if all cost items, including the cost of capitalizing permit value, are given proper consideration for the determination of a new grazing fee structure and formula. However, the interested agencies have broken faith with the livestock industry and should not be permitted to arbitrarily impose this excessive, unreasonable and illegal fee increase and fee formula which will only result in irreparable damage to the livestock industry and to the public interest in general, contrary to the intent and provisions of the Taylor Grazing Act.

Ranchers and their communities and States in all Western States will suffer a serious negative economic impact as the result of the fee increase and fee formula now being applied by these agencies. The present fee formula being applied will raise the grazing fee from 33 cents to \$1.23, per AUM. Agency figures indicate that in Nevada there

are 2,125,658 AUM's administered by the Bureau of Land Management upon which this fee will be paid. Nevada ranchers will thereby suffer an increase in cost of doing business of about \$2 million after the total increase is in effect, without any offsetting increase in income with which to pay this added cost. The only source of income for an operating rancher to pay his costs of doing business is his livestock. He finances his business based upon the number of livestock he will be able to graze. Studies have shown that a successful rancher can expect about a 2-percent return on his capital investments, including investments in range permits. Most ranchers are not now realizing this return, and yet they are faced with inflationary increases in costs of labor, machinery, equipment, feeds, capital improvements, grazing fees, and other costs of operation without having any means of increasing their income. In Nevada, the Bureau of Land Management and U.S. Forest Service freeze the rancher's income by specifying the number of livestock a rancher can graze each year. When these agencies increase the cost of doing business by raising grazing fees, they do not at the same time permit more livestock to be grazed so that the grazer can produce the added funds to meet the increased cost. This industry cannot economically stand the inconsistent policies of these agencies controlling and freezing income at one level and increasing the cost of business at the same time.

A sensible and practical alternative to fee increases would be for these agencies to concern themselves with improving and developing the range and forage in cooperation with the ranchers so that through the increase in forage available the range graziers could graze more livestock on the Federal ranges thereby producing more grazing fee income to the agencies under the old fee formula from the fees paid for the increased numbers of livestock grazed.

Section 2 of the Taylor Act (43 U.S.C. 315a) provides that the Secretary of the Interior shall provide for the orderly use, improvement, and development of the range. This is a duty imposed on the Secretary which has not been carried out. The number of livestock grazed on Federal ranges has not increased during the 35 years the Taylor Grazing Act has been in existence. In January 1969, the Renewable Resource Center of College of Agriculture, University of Nevada issued a report entitled "Competitive Uses of Nevada's Range Forage by Livestock and Big Game," by A. L. Lesperance and P. T. Tueller, assistant professor, Nutrition Division of Animal Science, and Associate Professor of Range Science, Division of Renewable Resources. This report contained the following pertinent information:

The annual number of AUM's required by meat animals in Nevada is 7.9 million. Forage from lands managed by the Bureau of Land Management provide 53 percent of the total range forage requirements. Forest Service lands supply only 6 percent of the total, while private and other sources provide 41 percent of the total range forage. The report states—in reference to a report put out by the University of Nevada in January 1969:

It is interesting to note that in the last five years the number of AUM's available from BLM land has decreased about 30 per cent while those on private and other sources have increased by about 177 per cent.

These figures clearly reflect the affect of adverse agency policies and show that the rancher is a better range conservationist and manager than the managing agencies.

This new fee increase and formula is in direct conflict with the provisions of the act requiring "a reasonable fee," a safeguarding of recognized grazing privileges and the development and improvement of the range.

These agencies are pricing and managing the Federal forage ranges out of business with their high fee policies, their policies limiting grazing, and their policies which do not provide grazing tenure. Tragically, they are also pricing and managing many ranching units out of business which action is directly contrary to the intent and purpose of the Taylor Grazing Act. The ranchers will reasonably and of necessity have to turn further to the improvement, development and use of their own lands and the private forage sources they can properly use, control, manage and conserve under their own policies. This increase will drain funds from the livestock industry to the extent that it will be of serious questionable value to the livestock people for them to continue to maintain the range improvements on Federal lands already made or to invest large expenditure of funds in further range improvements needed on Federal lands.

The Nevada ranches are primarily family operated ranches. The increased cost of business resulting from this fee increase will have to come out of the rancher's portion of the income that is used to support and educate his family. By economically crippling the ranching family you preclude young people from taking an interest in ranching and staying in the family livestock business. The Government policies are instilling in the young people a lack of confidence in the integrity of Government administration and in the future of the livestock industry, adding to the problem of the movement of young people from rural to urban areas.

At this time I would like to call your attention to some statistics that we have compiled in relation to the State of Nevada as to the size of the range operation, et cetera.

Senator BIBLE. Why do I not just suggest, John, that you ask permission to have this table inserted in the record? I do not think there is any particular need of reading it in full. Why do you not comment upon the medium ranchers and the small ranchers and the large ranchers as they exist in Nevada?

Mr. CARPENTER. Very well.

Senator BIBLE. Since I agreed to be a timekeeper for you fellows, you have now spoken 6 minutes.

Mr. CARPENTER. OK. We will hurry it up.

Sixty three and three-tenths percent of the ranches in Nevada renting under BLM have less than 2,000 AUM's. There are 40 ranchers in Nevada that we would class as large operations having over 15,000 AUM's on Federal range privileges. This is less than 5 percent of the ranchers in Nevada. In 1962 the university made a study of ranches in northeastern Nevada. What they classified as a small cattle ranch had an average of 1,326 AUM's on Federal range with an average of 373 head of cattle.

The total income on these ranches was \$25,342. Expenses were \$17,179, which left \$8,163.

The university at that time gave the salary to the operator of \$5,800. This left a return to capital of \$2,363. After the full impact of this

grazing fee is in effect, this would add \$1,170 to the operation of this ranch, which in turn, will cut the return to capital in half.

We ask that you give these figures your consideration.

(The table referred to follows:)

NEVADA—STATISTICAL REVIEW SERVICE

| Permit size, AUM | Number of operators | Percent | Bureauwide average number of AUM per operator |
|-----------------------|---------------------|---------|---|
| 0 to 99..... | 54 | 5.8 | 12 |
| 100 to 499..... | 219 | 23.4 | 150 |
| 500 to 999..... | 137 | 14.8 | 422 |
| 1,000 to 1,999..... | 179 | 19.3 | 902 |
| 2,000 to 2,999..... | 84 | 9.1 | 2,055 |
| 3,000 to 3,999..... | 45 | 4.9 | 3,863 |
| 4,000 to 4,999..... | 41 | 4.4 | 7,797 |
| 5,000 to 14,999..... | 126 | 13.6 | 7,713 |
| 15,000 to 24,999..... | 27 | 3.0 | 28,583 |
| 25,000 plus..... | 13 | 1.4 | 32,354 |
| Total..... | 926 | | |

Note: 63.3 percent have less than 2,000 AUM's.

Cost and Returns on Livestock Ranches in Northeastern Nevada—University of Nevada Circular No. 166 Year 1962 Study

[Northeastern Nevada Cattle Ranch; 1326 AUM of Federal range, 373 cattle average]

| | |
|-------------------------|----------|
| Total income..... | \$25,342 |
| Total expense..... | 17,179 |
| Total..... | 8,163 |
| Salary to operator..... | 5,800 |
| Return to capital..... | 2,363 |

Increase of grazing fee from 33 cents to \$1.23 would add additional expense of \$1,170 to this operation.

Mr. CARPENTER. There will be a drain of over \$2 million from the Nevada ranchers for grazing fees which will have side effects to the economy of the State of Nevada amounting to a loss of approximately \$8 million per year. This is after the total increase is in effect.

According to the University of Nevada Renewable Resource Center report of January 1969, in 1967, the meat animal industry in Nevada generated \$77.4 million into the Nevada economy and big game hunting contributed an estimated \$4.6 million. This report concludes that livestock is contributing about 17 times more to the economy of Nevada than big game and is using less than six times as much range forage to do it. There will be the further loss to ranchers and State resulting from the raise in grazing fees on the approximately 500,000 AUM's of grazing privileges unused on the national forests.

In addition to the increased cost of business cost, the current holder of permits will lose an average of \$14 per AUM invested in BLM permits and an average of \$25 per AUM invested in U.S. Forest Service permits. This means that Nevada ranchers will lose approximately \$32 million in capital assets. We respectfully urge this subcommittee to read and give careful consideration to the "Position Statement on Current Grazing Fee Issues and Problems," prepared and issued November 19, 1968, by Darwin B. Nielsen, and N. Keith Roberts,

assistant professor and professor in agricultural economics and the Economic Research Center, Utah State University, Logan, Utah. This report, referred to as the Nielsen report, sets out the serious negative economic impact that this new grazing fee and grazing fee formula will have on the Utah ranchers in particular and the western ranchers in general. This report vividly points out this new grazing fee increase will wipe out all permit values immediately after implementation resulting in a loss to the western ranchers of \$343 million in capital assets. The impact on the economy of the State of Nevada and its ranchers will be proportionately more damaging than in the State of Utah and the other Western States. Approximately 87 percent of the land in the State of Nevada is federally owned. Over 47 million acres of federally owned land in the State of Nevada is administered by the BLM as compared with over 24 million acres in Utah. Alaska is the only State in the Nation which has more Federal land ownership within its boundaries than the State of Nevada. About 10 percent of all federally owned land administered by the Bureau of Land Management in the entire Nation is in Nevada, if Alaska is considered, and if Alaska is not considered, Nevada has 26 percent of all federally owned lands administered by the Bureau of Land Management. The real property taxes paid by the ranchers in the State of Nevada constitute an essential financing element for the State, county, and city governments. When action is taken to severely decrease the market value of ranching properties, such as the present fee increase will do, it has a drastic and serious reducing effect on the amount of tax revenues available to the State, county, and cities for them to carry on their programs and services.

By economically crippling and damaging the western rancher these agencies will, at the same time, be damaging the recreationists, the conservationists, and the general public interest, and they will destroy the multiple-use concept. To have a proper perspective of the type of rangelands we are discussing, the Federal Government and the general public must recognize that by 1934, when the Taylor Grazing Act came into existence, most of the public land of any value had been transferred to private ownership through various disposal methods. What the Government retained was a vast residue of marginal, left over lands in the deserts and high plateaus of the arid West. This land was generally too dry, rough, or rocky for much use other than grazing and so, in its unimproved state, it remained the property of the Federal Government. During the past few years important improvements have been commenced on the Federal ranges in the form of improved forage through seedings, brush clearings, and control of poisonous plants; development of critically needed water supplies in the vast arid range areas; improvement and construction of access roads providing access to areas previously inaccessible, and others. For the most part, it has been the ranchers who have made the privately financed contributions to the improvements on Federal lands. Approximately 30 percent of the \$14 million in range improvements that have been put on the Federal grazing ranges in Nevada have been paid for by the ranchers from private funds at a cost to them of over \$4,200,000.

The balance of the funds have been provided by the agencies. These improvements, even though financed in part by private funds contributed by the ranchers, have been of benefit to and utilized by, not only

the ranchers and their livestock, but by recreationists and other members of the public and by wildlife and upland game. In many areas, privately owned feed and water supplies make up 70 to 80 percent of the forage required to sustain wildlife. The recreationists and other members of the public are enjoying not only the range improvements on Federal ranges being made by the ranchers, but also the benefits of the ranchers' private lands and waters without paying fees for the use or contributing to the improvement or conservation of these privately owned lands. If the livestock industry is removed from the Federal lands through crippling fee increases these benefits will be lost, the \$14 million investment by the Government and ranchers in range improvements will be sacrificed, and the Federal Government will have 47 million acres of grazing lands without a fee paying tenant to use, conserve and improve them. The western ranchers are the natural range conservationists. Their livelihood and future depends on proper livestock and forage management. Studies are available to show that the harvesting of forage through proper grazing is the most efficient and effective conservation tool to produce resource values and to manage them. Grazing is not a consumptive use—it is a productive and stabilizing use. Proper grazing is a use compatible with and beneficial to other proper range uses. Through proper grazing in sufficient numbers forage can be utilized and increased on a sustaining yield basis thereby providing future stable forage for livestock and wildlife harvesting. As you reduce livestock grazing you reduce natural conservation practices.

There have been many published warnings of the consequences of the "population explosion" and the resulting world food shortage. We should not be a nation which professes concern over the world's food problem while adopting and enforcing domestic policies which weaken our food producing industries and reduces our capacity to produce the food and fiber required by people. We should also not be a nation which spends millions of dollars to determine that there are poverty stricken people in our Nation who are hungry and at the same time permit the agencies of our Government to independently establish and enforce policies which economically cripple the food and fiber producing livestock industry. The Congress of the United States, in looking to the future, should be requiring the agencies involved in this fee increase dispute to stabilize the livestock industry; to increase, rather than decrease, food and fiber production; to initiate policies and programs that will economically strengthen, rather than weaken, the livestock industry; to encourage and assist the livestock industry in its efforts to conserve, improve, and harvest the forage resources on the Federal lands. These can all be accomplished within the multiple use concept in such a fashion as to meet and satisfy the needs of the recreationists, the livestock industry, and the other range users. Many of these are compatible and one use and development tends to strengthen the use and development of the other. One use, such as grazing, should not be eliminated for the benefit of any other use.

The agencies involved in this fee dispute have refused to recognize the economic reality that permits to graze on the public lands have taken on values over and above the grazing fees. The Nielsen study reflects that the permit values, which are owned by ranchers and

bought and sold in the market, are recognized as a legitimate cost of ranching today. These values have built up because of the policies and rules and regulations of these managing agencies. They have confined livestock to specified areas of grazing; they dictate how many livestock can be turned out and when they must be removed from the range; they have imposed drastic grazing cuts, all of which has resulted in requiring the rancher to find some means to attempt to stabilize the number of livestock he can graze in order to meet long-term and budget financing demands which are based upon the number of livestock the rancher will be able to graze. When these cuts are imposed the rancher is forced to refinance to provide funds to increase the grazing capacity of his area of the range or he must eliminate competition on the range by purchasing his neighbor's rights to graze livestock on the Federal lands. When this type of permit purchase is made the rancher is not buying the Federal lands, he is paying the seller of the grazing permit not to put the seller's livestock on the Federal lands.

This is analogous to such business transactions as trucking firm A purchasing trucking firm B which has Interstate Commerce Commission operating rights and thereby acquiring certain trucking routes and operating rights to the exclusion of the seller. These operating rights are issued and controlled by the proper agency, and because they are issued on a limited basis for prescribed routes or areas they develop value which is bought and sold with businesses. There is, however, no contention by the issuing agency that operating rights grant any proprietary rights in the Federal highways. Business practice in the livestock industry have developed a similar value approach in connection with the acquisition of grazing permits. There should be no agency assertion that recognizing the cost of these permits would amount to the granting of a proprietary right in the public lands. This analogy would also apply to the purchase by one airline of another airline and its certificated air routes. There is no contention that there is danger of giving the airline a proprietary interest in the airspace. It is recognized in these industries that these are proper costs of business operation and the livestock industry is entitled to capitalize these costs as a part of its costs of operation in arriving at a reasonable grazing fee formula.

This concludes the presentation of our objections. We respectfully urge Congress to immediately take such action as is proper to rescind the grazing fee increase now being put into effect; to defer all further changes in grazing fees until Congress has had an opportunity to review the findings and report of its Public Land Law Review Commission and to act thereon; and to establish a grazing fee structure and formula based upon the SRS report including specifically in the 15 nonfee cost items a proper capitalization of permit cost as a cost of doing business in the livestock industry, the formula to be on a forest by forest, district by district, or market area by market area level.

I thank you very much. And I believe Mr. Norman Glazer has a short presentation.

(The full statement follows:)

JOINT STATEMENT OF THE NEVADA STATE CENTRAL COMMITTEE OF THE NEVADA GRAZING BOARDS, THE NEVADA STATE CATTLE ASSOCIATION, THE NEVADA WOOLGROWERS ASSOCIATION, AND THE NEVADA STATE FARM BUREAU

Mr. Chairman and Members of the Subcommittee. The following is the joint statement of the Nevada State Central Committee of the Nevada Grazing Boards, the Nevada State Cattle Association, the Nevada Woolgrowers Association and the Nevada State Farm Bureau. The statement on behalf of these organizations will be made by John C. Carpenter, Jr., a member of the Nevada State Central Committee.

These organizations are represented in these proceedings by the following:

1. John C. Carpenter, Jr., of Elko, Nevada, represents the Central Committee. He has been in the livestock industry all of his life and is continuing a family ranching business that has continued in Nevada for over 50 years. He has several sons who hope to continue in the business. They ranch under the family name of Magnuson Ranches with headquarters in Elko, Nevada. John is presently serving as a member of the Advisory Boards of the Bureau of Land Management in the Elko, Battle Mountain and Carson City, Nevada Districts; as a member of the Nevada State Central Committee of the Nevada Grazing Boards, representing the Battle Mountain, Nevada Grazing District; as Chairman of the Nevada Multiple Use Advisory Board; and as a director of the Elko Chamber of Commerce. He has served as the past representative of the Nevada State Woolgrowers on the Nevada Land Law Review Commission; as a past president of the Nevada Woolgrowers Association; and as an Elko County Commissioner.

2. Vernon Dalton represents the Nevada State Cattle Association as its Vice President. He resides on his ranch in Clover Valley and has been in the ranching industry in Nevada since 1952. He is President of the Wells Rural Electric Company and has served on its Board of Directors since its inception; he is past President of the Clover Valley Soil Conservation District; in 1968, he was recognized as the Outstanding Young Farmer in the State of Nevada.

3. DeLloyd Satterthwaite of Tuscarora, Nevada, represents the Nevada Woolgrowers Association as its President. Mr. Satterthwaite has been raised in a sheep producing family. He has served as Vice President and as a Director of the Nevada Woolgrowers Association. He is on the Board of Directors of the Nevada State Marketing Commission; he is a member of the Nevada Agriculture Livestock Council and just recently he was appointed by Governor Laxalt of the State of Nevada to the Advisory Board of the Nevada State Labor Department.

4. Robert Thomas, represents the Nevada State Farm Bureau and is the immediate past president of that organization. Mr. Thomas was born and raised on a livestock ranch in California. In 1957, he moved to Nevada and has owned and operated a cattle ranch in Paradise Valley, Nevada since that time. He is a member of the Natural Resources Committee of the American Farm Bureau of Federation; a member of the Nevada Public Land Law Review Committee and a member of the American Farm Bureau Livestock Committee.

Statements on behalf of the Nevada State Legislature and the County of Elko will be presented by:

1. Assemblyman Norman Glaser who will speak on behalf of the Nevada State Legislature. He is serving in the current session of the Legislature and has served previously as Speaker of the Assembly and Chairman of the Ways and Means Committee. Assemblyman Glaser was raised in the ranching business. His family has a continuous history of 100 years of ranching in the Elko County, Nevada area. Mr. Glaser is past president of the Nevada State Farm Bureau; past chairman of the American Farm Bureau National Livestock Commission and is now serving as a member of the Advisory Committee of the School of Agriculture of the State of Nevada.

2. Eyer H. Boies, Elko County Commissioner, will speak on behalf of the County of Elko, Nevada. Mr. Boies resides on the family ranch near Contact, Nevada and serves as President and General Manager of the Boies Ranches. He is a lifetime cattleman of Elko County, Nevada as were his father and grandfather before him. He is a director and member of the Executive Board of the Nevada State Cattle Association; a director and member of the Executive Committee of the North Salt Lake Producers Marketing Association. He has served as Vice President of the Nevada State Cattle Association; as a member of the Nevada Agriculture Stabilization and Conservation Committee; as an elected member of the Board of Regents of the University of Nevada; as a member of the Columbia River Basin Compact Commission; and as a director of the Wells Rural Electric Company.

The organizations presenting this statement strongly oppose the grazing fee increase now being implemented by the Department of Agriculture and the Department of Interior. Although we oppose the present fee increase we wish it clearly understood that these organizations and the Nevada livestock people do not object to paying a fair, reasonable forage fee based upon the reasonable market value of the forage that is actually available for use from area to area. To us the questions before us at this time are: what is a reasonable forage fee; what formula should be used to determine fees from time to time, and when should any fee changes, if any, be made.

In our opposition to the present fee increase we endorse and support the positions the Public Lands Council, the American National Cattle Association, the National Woolgrowers Association and the American Farm Bureau Federation have taken regarding grazing fees and this increase.

In an effort to avoid as much duplication of testimony in these hearings as possible we will, as the official spokesmen of the livestock industry of Nevada, attempt to limit our presentation to the impact of the impending fee increases on the Livestock Industry in Nevada.

We object to these fee increases for the following reasons:

1. These increases are not timely. The present increase involves a 10 year program and a fee formula which could conflict with recommendations that may be made by the Public Land Law Review Commission. We suggest that there should be no grazing fee increases or changes in the formula for determining fees until Congress has had the opportunity to study and act on the study that will be filed by the Public Land Law Review Commission. A portion of that Commission's study will be directed to grazing fees. The Commission has conducted extensive hearings, contracted various studies and invested a great deal of time and taxpayers funds in its study. It would seem to be an extravagant waste of the valuable time of the capable men on that commission and of the taxpayers money to compromise their study and recommendations before they are ever issued. Also, litigation of the legal issues involved in the fee formula and the fee increase is now pending in the United States District Courts in the State of New Mexico and State of Utah. Should this litigation establish that the fee formula and increase is improper the taxpayers would be put to unnecessary large expense as the result of the administrative costs that will be incurred in the necessary refunding of invalid grazing fees paid in advance of this court determination.

2. The interested agencies did not apply a fair, equitable or legal formula in determining the grazing fees. At the request of the interested agencies and the livestock industry, the Statistical Reporting Service, USDA, in 1966, at a cost to the taxpayers of about \$900,000, conducted a comprehensive grazing fee study in cooperation with the livestock industry. The livestock industry cooperated in this study and provided the operating and budgetary information necessary to complete the study as the result of the representations of interested agencies that they would accept the results of this SRS study. This study included cost data pertaining to 15 nonfee cost items, as delineated in Tables I and II of the 1966 SRS Grazing Fee Study which were to be used as a basis for the determination of a new grazing fee structure and formula. These cost items included the capitalized value of the Federal grazing permit as a cost of doing business in the livestock industry. The interested agencies, in establishing the present fee increase, violated their representations to the livestock industry and took the study piecemeal, taking from the study only those portions that were favorable to the agency administration and omitting the cost items that were critical to survival of the livestock industry. These agencies refused to recognize that the dollar value of the Federal Grazing Permit and its economic importance are attributes of the required base property and thus the capitalized value is part of the cost of doing business relative to running livestock on Federal lands. It is this refusal on the part of the agencies to permit capitalization of these values as a cost of business in arriving at a grazing fee that has compelled the livestock industry to unite in its strenuous and firm opposition to the present fee increase in an effort to survive. A letter of January 13, 1969, from the Under-Secretary of Interior to the Honorable Wayne N. Aspinall, Chairman, Committee on Interior and Insular Affairs of the House of Representatives stated the following:

"The basic issue involved in the comments concerns the marketable values attached to the grazing permit. The majority of the livestockmen argue that an annual interest on this value should be recognized as a cost of doing business in the appraisal technique.

"We have not included this factor in the fee formula for one important and far-reaching reason. To do so would recognize a proprietary interest in the public lands. The Taylor Grazing Act is clear in this regard and it is beyond purview of this Department to authorize such an interest in the public lands."

Section 3 of the Taylor Grazing Act (43 U.S.C. § 315b), authorizes the Secretary of Interior to issue permits to graze livestock "upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes."

This same section concludes as follows: "So far as consistent with the purposes and provisions of this Act, *grazing privileges recognized and acknowledged shall be adequately safeguarded*, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in or to the lands." (emphasis supplied)

We respectfully submit that the Secretary of the Department of Interior has violated his duty under the Taylor Act to establish a "reasonable fee" and to *safeguard recognized grazing privileges*. The SRS report includes capitalization of permit value as a cost of business. The Secretary arbitrarily threw out that factor for the one reason that to include it would recognize a proprietary interest in the public lands. The Taylor Act provides in the above quoted portion that no proprietary interests shall be created in public lands by the issuance of a permit to graze. The setting and payment of grazing fees incidental to issuance of a grazing permit is simply part of the permit procedure and certainly could not be construed as granting proprietary rights in the light of the language of the Act.

There are many court decisions which announce the principle that a person cannot acquire an adverse proprietary interest in public lands—no ownership is acquired unless it is expressly and clearly granted by act of the Government.

The agencies concern, although unfounded, could be easily eliminated by an amendment to their rules and regulations or by a simple act of Congress providing that no proprietary interests will be granted by the use in the grazing fee formula of a capitalized permit value cost item or other cost items. It has been the experience of the livestock industry that the agencies have been rather quick and prolific in making rule and regulation changes when it was to their advantage. They have had ample time to implement the SRS study into their fee regulations, but have failed to do so and as a result they have involved Congress, the livestock industry and the agencies and countless Government employees in these time consuming and expensive proceedings. The money that will be spent by the ranchers and Federal Government in these fee disputes could have been better spent in making range improvements. The livestock industry is on record as being willing to accept the SRS grazing fee study if all cost items, including the cost of capitalizing permit value, are given proper consideration for the determination of a new grazing fee structure and formula. However, the interested agencies have broken faith with the livestock industry and should not be permitted to arbitrarily impose this excessive, unreasonable and illegal fee increase and fee formula which will only result in irreparable damage to the livestock industry and to the public interest in general, contrary to the intent and provisions of the Taylor Grazing Act.

3. Ranchers and their communities and states in all Western States will suffer a serious negative economic impact as the result of the fee increase and fee formula now being applied by these agencies. The present fee formula being applied will raise the grazing fee from 33¢ to \$1.23, per AUM. Agency figures indicate that in Nevada there are 2,125,658 AUMs administered by the Bureau of Land Management upon which this fee will be paid. Nevada ranchers will thereby suffer an increase in cost of doing business of about \$2,000,000.00 after the total increase is in effect without any offsetting increase in income with which to pay this added cost. The only source of income for an operating rancher to pay his costs of doing business is his livestock. He finances his business based upon the number of livestock he will be able to graze. Studies have shown that a successful rancher can expect about a 2% return on his capital investments, including investments in range permits. Most ranchers are not now realizing this return, and yet they are faced with inflationary increases in costs of labor, machinery, equipment, feeds, capital improvements grazing fees and other costs of operation without having any means of increasing their income. In Nevada, the Bureau of Land Management and U.S. Forest Service freeze the rancher's income by specifying the number of livestock a rancher can graze each year. When these agencies increase the cost of doing business by raising grazing fees, they do not at

the same time permit more livestock to be grazed so that the grazer can produce the added funds to meet the increased cost. This industry cannot economically stand the inconsistent policies of these agencies controlling and freezing income at one level and increasing the cost of business at the same time.

A sensible and practical alternative to fee increases would be for these agencies to concern themselves with improving and developing the range and forage in cooperation with the ranchers so that through the increase in forage available the range graziers could graze more livestock on the Federal ranges thereby producing more grazing fee income to the agencies under the old fee formula from the fees paid for the increased numbers of livestock grazed.

Section 2 of the Taylor Act (43 U.S.C. § 315a) provides that the Secretary of Interior *shall* provide for the orderly use, *improvement* and development of the *range*. This is a duty imposed on the Secretary which has not been carried out. The number of livestock grazed on Federal ranges has not increased during the 35 years the Taylor Grazing Act has been in existence. In January, 1969, the Renewable Resource Center of the College of Agriculture, University of Nevada, issued a report entitled "Competitive Uses of Nevada's Range Forage by Livestock and Big Game", by A. L. Lesperance and P. T. Tueller, Assistant Professor, Nutrition Division of Animal Science, and Associate Professor of Range Science, Division of Renewable Resources. This report contained the following pertinent information:

The annual number of AUMs required by meat animals in Nevada is 7.9 million. Forage from lands managed by the Bureau of Land Management provide 53% of the total range forage requirements. Forest Service lands supply only 6% of the total, while private and other sources provide 41% of the total range forage. The report states, "It is interesting to note that in the last 5 years the number of AUMs available from BLM land has decreased about 30% while those on private and other sources have increased by about 177%."

These figures clearly reflect the affect of adverse agency policies and show that the rancher is a better range conservationist and manager than the managing agencies.

This new fee increase and formula is in direct conflict with the provisions of the Act requiring a "reasonable fee," a safeguarding of recognized grazing privileges and the development and improvement of the range. These agencies are pricing and managing the Federal forage ranges out of business with their high fee policies, their policies limiting grazing, and their policies which do not provide grazing tenure. Tragically they are also pricing and managing many ranching units out of business which action is directly contrary to the intent and purpose of the Taylor Grazing Act. The ranchers will reasonably and of necessity have to turn further to the improvement, development and use of their own lands and the private forage sources they can properly use, control, manage and conserve under their own policies. This increase will drain funds from the livestock industry to the extent that it will be of serious questionable value to the livestock people for them to continue to maintain the range improvements on Federal lands already made or to invest large expenditure of funds in further range improvements needed on Federal lands.

The Nevada ranches are primarily family operated ranches. The increased cost of business resulting from this fee increase will have to come out of the rancher's portion of the income that is used to support and educate his family. By economically crippling the ranching family you preclude young people from taking an interest in ranching and staying in the family livestock business. The Government policies are instilling in the young people a lack of confidence in the integrity of Government administration and in the future of the livestock industry, adding to the problem of the movement of young people from rural to urban areas.

The drain of over \$2,000,000 from the Nevada ranchers for grazing fees will have side effects to the economy of the State of Nevada amounting to a loss of approximately \$8,000,000 per year. According to the University of Nevada Renewable Resource Center Report of January, 1969, in 1967, the meat animal industry in Nevada generated \$77.4 million into the Nevada economy and big game hunting contributed an estimated \$4.6 million. This report concludes that livestock is contributing about 17 times more to the economy of Nevada than big game and is using less than 6 times as much range forage to do it. There will be the further loss to ranchers and State resulting from the raise in grazing fees on the approximately 500,000 AUMs of grazing privileges used on the national forests.

In addition to the increased cost of business cost, the current holders of permits will lose an average of \$14 per AUM invested in BLM permits and an average of \$25 per AUM invested in U.S. Forest Service Permits. This means that Nevada ranchers will lose approximately \$32,000,000 in capital assets. We respectfully urge this subcommittee to read and give careful consideration to the "Position Statement on Current Grazing Fee Issues and Problems" prepared and issued November 19, 1968, by Darwin B. Nielsen, and N. Keith Roberts, Assistant Professor and Professor in Agricultural Economics and the Economic Research Center, Utah State University, Logan, Utah. This report, referred to as the Nielsen Report, sets out the serious negative economic impact that this new grazing fee and grazing fee formula will have on the Utah ranchers in particular and the western ranchers in general. This report vividly points out that this new grazing fee increase will wipe out all permit values immediately after implementation resulting in a loss to the western ranchers of \$343,000,000 in capital assets. The impact on the economy of the State of Nevada and its ranchers will be proportionately more damaging than in the State of Utah and the other western states. Approximately 87% of the land in the State of Nevada is federally owned. Over 47 million acres of federally owned land in the State of Nevada is administered by the BLM as compared with over 24 million acres in Utah. Alaska is the only State in the Nation which has more Federal land ownership within its boundaries than the State of Nevada. About 10% of all federally owned land administered by the Bureau of Land Management in the entire Nation is in Nevada, if Alaska is considered, and if Alaska is not considered, Nevada has 26% of all federally owned lands administered by the Bureau of Land Management. The real property taxes paid by the ranchers in the State of Nevada constitute an essential financing element for the State, County, and City Governments. When action is taken to severely decrease the market value of ranching properties, such as the present fee increase will do, it has a drastic and serious reducing effect on the amount of tax revenues available to the State, county, and cities for them to carry on their programs and services.

4. By economically crippling and damaging the western rancher these agencies will, at the same time, be damaging the recreationists, the conservationists, and the general public interest, and they will destroy the multiple use concept. To have a proper perspective of the type of range lands we are discussing, the Federal Government and the general public must recognize that by 1934, when the Taylor Grazing Act came into existence, most of the public land of any value had been transferred to private ownership through various disposal methods. What the Government retained was a vast residue of marginal, left over lands in the deserts and high plateaus of the arid West. This land was generally too dry, rough, or rocky for much use other than grazing and so, in its unimproved state, it remained the property of the Federal Government. During the past few years important improvements have been commenced on the Federal ranges in the form of improved forage through seedings, brush clearings and control of poisonous plants; development of critically needed water supplies in the vast arid range areas; improvement and construction of access roads providing access to areas previously inaccessible, and others. For the most part, it has been the ranchers who have made the the privately financed contributions to the improvements on Federal lands. Approximately 30% of the \$14,000,000 in range improvements that have been put on the Federal grazing ranges in Nevada have been paid for by the ranchers from private funds at a cost to them of over \$4,200,000.

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livelihood and future depends on proper livestock and forage management. Studies are available to show that the harvesting of forage through proper grazing is the most efficient and effective conservation tool to produce resource values and to manage them. Grazing is not a consumptive use—it is a productive and stabilizing use. Proper grazing is a use compatible with and beneficial to other proper range uses. Through proper grazing in sufficient numbers forage can be utilized and increased on a sustaining yield basis thereby providing future stable forage for livestock and wildlife harvesting. As you reduce livestock grazing you reduce natural conservation practices.

5. There have been many published warnings of the consequences of the "population explosion" and the resulting world food shortage. We should not be a nation which professes concern over the world's food problem while adopting and enforcing domestic policies which weaken our food producing industries and reduces our capacity to produce the food and fiber required by people. We should also not be a Nation which spends millions of dollars to determine that there are poverty stricken people in our nation who are hungry and at the same time permit the agencies of our government to independently establish and enforce policies which economically cripple the food and fiber producing livestock industry. The Congress of the United States, in looking to the future, should be requiring the agencies involved in this fee increase dispute to stabilize the livestock industry; to increase rather than decrease food and fiber production; to initiate policies and programs that will economically strengthen, rather than weaken, the livestock industry; to encourage and assist the livestock industry in its efforts to conserve, improve and harvest the forage resources on the Federal lands. These can all be accomplished within the multiple use concept in such a fashion as to meet and satisfy the needs of the recreationists, the livestock industry and the other range users. Many of these uses are compatible and one use and development tends to strengthen the use and development of the other. One use, such as grazing, should not be eliminated for the benefit of any other use.

6. The agencies involved in this fee dispute have refused to recognize the economic reality that permits to graze on the public lands have taken on values over and above the grazing fees. The Nielsen study reflects that the permit values, which are owned by ranchers and bought and sold in the market are recognized as a legitimate cost of ranching today. These values have built up because of the policies and rules and regulations of these managing agencies. They have confined livestock to specified areas of grazing; they dictate how many livestock can be turned out and when they must be removed from the range; they have imposed drastic grazing cuts, all of which has resulted in requiring the rancher to find some means to attempt to stabilize the number of livestock he can graze in order to meet long term and budget financing demands which are based upon the number of livestock the rancher will be able to graze. When these cuts are imposed the rancher is forced to refinance to provide funds to increase the grazing capacity of his area of the range or he must eliminate competition on the range by purchasing his neighbors rights to graze livestock on the Federal lands. When this type of permit purchase is made the rancher is not buying the Federal lands, he is paying the seller of the grazing permit not to put the seller's livestock on the Federal lands. This is analogous to such business transactions as trucking firm A purchasing trucking firm B which has Interstate Commerce Commission operating rights and thereby acquiring certain trucking routes and operating rights to the exclusion of the seller. These operating rights are issued and controlled by the proper agency, and because they are issued on a limited basis for prescribed routes or areas they develop value which is bought and sold with businesses. There is, however, no contention by the issuing agency that operating rights grant any proprietary rights in the Federal highways. Business practice in the livestock industry have developed a similar value approach in connection with the acquisition of grazing permits. There should be no agency assertion that recognizing the cost of these permits would amount to the granting of a proprietary right in the public lands. This analogy would also apply to the purchase by one airline of another airline and its certificated air routes. There is no contention that there is danger of giving the airline a proprietary interest in the airspace. It is recognized in those industries that these are proper costs of business operation and the livestock industry is entitled to capitalize these costs as a part of its costs of operation in arriving at a reasonable grazing fee formula.

This concludes the presentation of our objections. We respectfully urge Congress to immediately take such action as is proper to rescind the grazing fee

increase now being put into effect; to defer all further changes in grazing fees until Congress has had an opportunity to review the findings and report of its Public Land Law Review Commission and to act thereon; and to establish a grazing fee structure and formula based upon the SRS report including specifically in the 15-non-fee cost items a proper capitalization of permit cost as a cost of doing business in the livestock industry, the formula to be on a forest by forest, district by district or market area by market area level.

Mr. GLASER. Senator Church and gentlemen, you should have before you A.J.R. 3 of the Nevada Legislature, which memorializes the Secretary of Agriculture and Secretary of the Interior of the United States to reconsider the increase in grazing fees on Federal lands. I would like to have this entered in the record.

Senator CHURCH. Without objection, it will be entered in the record at this point.

(The document referred to follows:)

STATE OF NEVADA ASSEMBLY JOINT RESOLUTION NO. 3—MEMORIALIZING THE SECRETARY OF AGRICULTURE AND THE SECRETARY OF THE INTERIOR OF THE UNITED STATES TO RECONSIDER THE INCREASE IN GRAZING FEES ON FEDERAL LANDS

Whereas, The Secretary of Agriculture and the Secretary of Interior of the United States have announced grazing fee increases of up to 300 percent over the next 10 years; and

Whereas, The Public Land Law Review Commission was formed by the Congress of the United States for the purpose of reviewing all federal land laws, including those pertaining to grazing fees; and

Whereas, Any fee increase at this time is premature, since the Public Land Review Commission has not completed its studies on the matter; now, therefore, be it

Resolved by the Assembly and Senate of the State of Nevada, jointly [That the Legislature of the State of Nevada vigorously opposes any increase or decrease in the grazing fees on federal lands until such time as the Public Land Law Review Commission completes its studies and urges the Secretary of Agriculture and the Secretary of the Interior of the United States to reconsider the action already taken to increase such fees; and be it further

Resolved, That copies of this resolution be prepared and transmitted forthwith by the Legislative Counsel to the Secretary of Agriculture and the Secretary of the Interior of the United States and to each member of the Nevada Congressional Delegation].

Adopted by the Senate, January 31, 1969.

ED PIKE,
President of the Senate.
LEOLA H. ARMSTRONG,
Secretary of the Senate.

Adopted by the Assembly, January 27, 1969.

HOWARD MCKISSICK,
Speaker of the Assembly.
THERESA LOY,
Chief Clerk of the Assembly.

Approved by the Governor, February 4, 1969.

PAUL LAXALT,
Governor.

Mr. GLASER. Skipping over the whereases and going to the resolved portion, it states:

That the Legislature of the State of Nevada vigorously opposes any increase or decrease in the grazing fees on Federal lands until such time as the Public Land Law Review Commission completes its studies and urges the Secretary of Agriculture and the Secretary of the Interior of the United States to reconsider the action already taken to increase such fees; and be it further

Resolved, That copies of this resolution be prepared and transmitted forthwith by the Legislative Counsel to the Secretary of Agriculture and the Secretary of the Interior of the United States and to each member of the Nevada Congressional Delegation.

I have a short statement on Nevada Legislature stationary which you should also have in your possession and I would like to read that:

By the adoption of this resolution the Nevada Legislature recognizes that historically our state's economy has been undergirded by a basic industry—livestock raising.

The livestock supporting tax base constitutes less than 15 percent of the land area lying within the boundaries of Nevada. More than 85 percent of the State of Nevada is composed of public lands.

Thus, the livestock industry, in Nevada more than any other state in our Union, is dependent on the utilization of public lands.

This resource value, grass, has been converted into beef and thence into dollars, and has helped to support the growth of our communities and our state.

Any increase in fees assessed by the Federal Government for revenue purposes extracts a convertible natural resource value from the state, thereby reducing the amount of money available to flow into the economy generating business, taxes and new wealth.

Because of our narrow tax base, Nevada has legalized gambling, which helps support state government, our public schools and our university system. Gambling is a highly volatile industry upon which to base a tax and operate a state government, and property taxes still generate more revenue than gambling taxes in spite of our narrow tax base.

We in the Nevada legislature seek to protect and enhance our basic industries such as agriculture and mining.

We deplore the extraction of natural resource values, convertible into fees, which if allowed to stand in the magnitude proposed (372 per cent) will "dry gulch" many Nevada communities, necessitating the implementation of Federal and state remedial programs in an exercise of bureaucratic roundelay.

Thank you very much.

Senator CHURCH. Thank you very much, Mr. Glaser.

Mr. CARPENTER. We have another short statement by Eyer Boies, the Elko County Commissioner.

Mr. BOIES. Senator Church, gentlemen, as well as being county commissioner of Elko County, I am also a cattle rancher, conservationist, and a sportsman.

I have two brief statements, one representing my official capacity as county commissioner and one as an individual. The first reads as follows:

Senator Church, Elko County is the third largest county in the Continental United States. Our population is sparse including only three incorporated towns.

These rural communities are extremely dependent upon the ranching economy. In turn, the ranchers are vitally dependent upon the BLM and Forest Service ranges.

Several years ago we were enjoying a healthy economy. Recently we have felt it gradually returning. An undue increase in Federal grazing fees will not only halt this trend but will undoubtedly reverse it.

The local governments in this truly rural area of America should not be dealt the back of the Federal Government's hand. Rather the advice, influence and great power from Washington, D.C. should be directed toward helping rural America not only survive but to once again prosper and consequently, be increasingly self-sufficient entities of Government not dependent on Federal and state subsidies.

As an elected county government official I sincerely hope that you will immediately revoke this increase and freeze these fees until you and the other knowledgeable members of Congress can set by law a reasonable fee that cannot be tampered with by the whim of individuals.

Mr. Chairman, I have two resolutions I would like to have entered, one from the board of county commissioners of my county and the other from the State Association of Nevada County Commissioners.

Senator CHURCH. Both will be entered at this point in the record.

Mr. BOIES. They will be supporting the statement I just read.

(The resolutions referred to follow:)

RESOLUTION No. 10.

Whereas, the Secretaries of Agriculture and Interior have announced grazing fee increases of up to three hundred per cent (300%) over the next ten (10) year period; and

Whereas, the Public Land Law Review Commission was formed by Congress for the purpose of reviewing all Federal Land Laws, including grazing fees; and

Whereas, any fee increase at this time will be premature since the Public Land Law Review Commission has not yet completed its studies,

Now: therefore, be it hereby resolved that the Nevada State Association of County Commissioners vigorously opposes any grazing fee increases or decreases until such time as the Public Land Law Review Commission shall have completed its studies.

Passed at the November, 1968, Nevada State Convention at Ely, Nevada.

RESOLUTION

Be it hereby resolved that the Board of Commissioners, County of Elko, State of Nevada, pursuant to formal action unanimously taken at a regular meeting held on December 6, 1968, does protest the Bureau of Land Management's proposal to increase livestock grazing fees for use of the public domain.

Opposition to the proposed increase is premised on the fact that a Land Review Commission is presently making a study of the subject of grazing of livestock on the public domain and any action by the Bureau of Land Management to increase the fee structure prior to the filing of the actual findings and recommendations by said Land Review Commission is precipitous and unwarranted. Secondly, the livestock industry in Elko County bears a substantial portion of the ad valorem tax burden, approximately thirty (30%) per cent of this total tax burden, while receiving a very low return of their investment made, and an increase of the grazing fees, as proposed, would be a heavy burden upon the livestock operators in Elko County.

Resolution passed upon Motion made by Commissioner A. A. Cuthbertson and seconded by Commissioner John C. Carpenter: Resolution unanimously passed.

Dated December 6, 1968.

E. C. MURPHY, Jr.,

Chairman of the Board of County Commissioners, County of Elko, State of Nevada.

R. L. KANE, *Clerk.*

Mr. BOIES. My other statement reads as follows:

DEAR SENATOR CHURCH: Ninety three per cent of the range utilized by our livestock is owned by the Federal Government. My families livelihood depends upon our livestock utilizing this public domain range adjacent to our privately owned land. We consider ourselves good tenants. Conservation of this range, protection of the watersheds and continual improvement of this resource is more important to us than any other person or persons on earth!

We are purchasing my parents' interest in our ranching operation and the value agreed upon included the privilege of running our cattle on the BLM permit.

In my opinion only a very modest increase in fee may be tolerable without financial calamity overwhelming us.

Please sir, do your duty—revoke this increase and freeze these fees until you and the other knowledgeable members of Congress can set by law a reasonable fee that cannot be tampered with by the whim of individuals.

Thank you very much for this time.

Senator CHURCH. Thank you very much for your testimony.

Mr. GLASER. Senator Church, on the program you have a statement that was to be given by Mr. Karl Weikel on behalf of the Governor of the State of Nevada and Mr. Weikel has asked at this time

he would like to have the Governor's statement submitted into the record so that it may appear with the rest of the Nevada statements.

Senator CHURCH. Without objection, the Governor's statement will appear at this point in the record.

(The statement referred to follows:)

STATEMENT OF HON. PAUL LAXALT, GOVERNOR, STATE OF NEVADA

First, let me point out that Nevada is 86.6% federally owned, and a very substantial segment of Nevada's economy is built on the livestock industry's use of federal lands for grazing. The grazing fee increase proposed by the Departments of the Interior and Agriculture will be a diminution of a sizable portion of the State's economy, thus a resultant weakening of the State's taxing ability.

A detailed and current economic study of Elko County, Nevada, by the Division of Agricultural Economics at the University of Nevada's College of Agriculture, indicates that an increase of 10¢ per animal unit month in public land grazing fees would result in a net annual operating loss to the average rancher in the county of 5.8%. We believe the results would be more adverse in other less productive ranching areas of Nevada where public lands provide a significant portion of the livestock forage.

The Bureau of Land Management proposes to raise the grazing fee to \$1.23 per animal unit month over a ten year period. This is a 372% increase to the ranching industry which even now has only a 2% return. The failure to include the cost of holding a grazing permit into the formulation of the fair or competitive market value for federal forage is the principle matter at issue and should be given proper consideration by the Federal agencies.

If this grazing fee increase is allowed to stand our ranching economy will suffer a serious depression and the maximum benefit of our natural resources will not be realized. The benefits which may be realized by Federal agencies will be at the expense of the local economy and we will be creating poverty in one area of our economy while we are spending millions to alleviate it in others.

Completely aside from the personal loss to the individual ranchers and the livestock industry as a whole, the State stands to lose a significant part of its economy and loss of use of agricultural natural resources to which it is entitled as a sovereign state. Additionally, and perhaps of first importance, is the establishment of a principle relating to Federal fee and management policy which, if applied to Nevada's mining, recreation, game management, timber or any of the multiple usages, will be extremely damaging to the State and its residents.

Even now the Public Land Law Review Commission is in the process of completing in-depth studies to guide it in making recommendations to the Congress on the complex problem of federal lands. I sincerely believe that this Committee and the Congress must take immediate steps to direct the executive agencies to cooperate with and respect the work of the Public Land Law Review Commission.

I respectfully request this Committee to direct the Executive agencies to withdraw the proposed grazing fee increase and to refrain from any modification of existing rules, regulations or policies until PLLRC has completed its work.

Senator CHURCH. Now, I would like to defer to Senator Bible.

Senator BIBLE. I have no questions of these men. I think we have one further statement, however, which I think is very short. Maybe just the introduction of the resolution.

Mr. THOMAS. Senator, I have a statement for the Nevada Farm Bureau, but in the interest of time, I would like to have it introduced into the record as though it were read.

Senator CHURCH. Very well. That will be done at this point in the record.

STATEMENT OF ROBERT F. THOMAS, NEVADA FARM BUREAU
FEDERATION

Mr. THOMAS. I came here not to prepare a legal brief because a legal mind I do not have, but instead I came here to attempt to convey to

you the thoughts of my fellow livestockmen in Nevada. We are residents of the State of Nevada and we are mighty proud of it. Nevada is one of the 50 States that make up the United States of America and we are extremely proud of her, but what we can't understand nor conceive is how a department of Government would attempt to mislead our legislative branch of Government into believing that a fee increase is warranted. You, the Representatives of Congress are our last hope for a reprieve, and we are indeed grateful to you for having provided this opportunity to tell our story.

Our problem lies in four different areas. These are our ability to pay the fee increase, conservation of the natural resources, recreation and wildlife, and the image of the livestockmen. It is the latter that has done more to hurt us than any other single thing. We are thought of by many to be cattle barons who drive Cadillacs, smoke cigars, and in short are the last of the big spenders. Some think that we are intent in destroying the natural resources, killing the game, and running rough-shod over everybody while we make a fast buck. I can assure you this picture is not so. This is a new breed of cowboy out West these days. He is an individual that is extremely concerned with the conservation of the natural resources. The livestock permittees on the Federal lands are actively engaged in range improvement projects and water developments which improves the watersheds and increases the opportunity for wildlife and recreation. Contrary to the thoughts of many, livestock grazing and wildlife are not only compatible, but desirable. Records in Nevada show that prior to livestock grazing the deer numbered but a few hundred, while today in conjunction with livestock grazing they number many thousand. There are documented reasons for this which can be obtained from the University of Nevada.

At best, Nevada is a second class State. Eighty-six percent of our land is federally owned which makes us one-seventh of a State when compared to our sister States in the East who have virtually no federally owned land within their borders. Surely our forefathers did not envision inequities of this kind when they laid the foundation of our country. Today these lands are locked in Federal ownership which for all practical purposes makes us dependent upon the Government for our livelihood. Through the years, Congress has permitted these lands to be used for various purposes. One of these uses has been livestock grazing which has been regulated by the Taylor Grazing Act. This act was conceived to stabilize the livestock industry dependent upon Federal land. It has worked reasonably well. However, in recent years it appears the administrators are determined to destroy, not stabilize, the one industry that has done so much to settle the West, stabilize the economies of the public land States, and in recent years, make appreciable contributions to conservation of our natural resources.

As the consequence of a study that was made by Utah State University, the Forest Service and Bureau of Land Management have arbitrarily decided to raise grazing fees even though the report shows conclusively that if all costs are taken into consideration, a fee increase is not warranted. They have interpreted the report in a manner that they wanted and used it to substantiate their claims for a fee increase.

This report which was made by Darwin Neilsen and Keith Roberts shows that the ranchers using public lands are only making a 2-percent

return on their investment. My first reaction to this was that no agency of Government would deny an individual in this day and age a 2-percent return on his investment. However, recent actions have shown that there are two that will, the Department of Agriculture and Department of Interior.

The ranchers in Nevada are scared. They paid my way to Washington, D.C., to try to get across to somebody that they can't afford a 90-cent per AUM increase in grazing fees. I've asked myself a hundred times what can be said to make somebody listen. We have told everybody we know that the returns on our investment will not permit us to pay more, but nobody listens. The old steamroller that is about to run us down, just keeps rolling along.

In 1963 the University of Nevada made a study on the range cattle industry in northeastern Nevada. It showed that the small ranchers were making a minus 2 percent return on their investment, the medium size rancher plus 0.4 percent, and the large rancher 1.5 percent return on their investment. If you were looking for a place to invest money, this would hardly be an area to become elated about.

To follow this report up and get the picture more in prospective, I asked six ranchers to use the formula devised by the University of Nevada to determine the returns they had made on their investments in the current years of 1966, 1967, and 1968. The results showed a minus 3-percent return on their investment.

To get a little closer to home and talk about something I know more about, I am going to use my own ranching operation as an example of what the fee increase will mean to me. My ranching operation is medium size. I live neither lavishly nor in poverty. I am in the ranching business because it is all I know. I'm staying in it because it is too late to get out and start a new life. My children have been advised to seek their fortunes somewhere other than in ranching and if the fee increase goes through, I'm confident they will, if not by choice, by force. Last year the return on my investment was eight-tenths of 1 percent which by any standards isn't excessive. If the fee increase goes through, the return on my investment will be cut to two-tenths of 1 percent. The actual cost of the increase as it relates to return on investment would be 0.6 percent.

Some of the administrators of the public lands have said that the grazing fee was such a small percent of the overall operating cost that an increase would not be noticed. I readily admit that a decrease of 0.6 percent return on your investment is not large, but when you take into consideration that you were only making 0.8 percent return before the increase, that makes the 0.6 percent huge.

I suppose that from my testimony so far you assume I'm angry at everybody, but this is not necessarily so. What trouble we have lies here on the Potomac and not out West. I'm happy to announce that among the local administrators of the BLM and Forest Service are some of the finest people we have had an opportunity to work with in some time. A spirit of cooperation has sprung up between the ranchers and administrators. Progress is being made. Marginal lands are being converted into productive grazing lands. Water developments are assisting the wildlife. Watersheds are improving. Management plans are being signed by the ranchers that will assure proper use and protection. If the fee increase goes through, this spirit of cooperation will be de-

stroyed. After all, bankruptcy hardly gives one an incentive to cooperate.

At this time, I would like to commend Senator Alan Bible for having made this new look possible. Some years ago an appropriation was sent to Nevada, as a consequence of the Senator's efforts, to try to improve the public lands in a selected area. The results have been unbelievable, and have paved the way for future progress.

However, taxpayers moneys have been spent on some of these improvement projects, and they must be paid back. Within our own industry we have been talking for the last 3 or 4 years on ways to accomplish this objective. Give us time, and we will succeed. This is not the time or place to discuss how this can be done, but a blanket fee increase is not the answer. It would break our backs before we had an opportunity to sufficiently recover enough to pay back anybody.

We are not here asking for a subsidy, a handout, or sympathy. All we want is an opportunity to survive. An opportunity to be equals with other businessmen, and not be considered second-class citizens. If you could see fit to give us a sympathetic ear, it would be appreciated.

Thank you again for having been allowed to appear before you representing the ranchers from Nevada.

Senator CHURCH. Do others of the Nevada delegation have any additional comments or resolutions to offer?

Senator BIBLE. You have held very well within the time limit, Mr. Chairman, and I think you set a good amount of model things to come.

You are outstanding men not only in your professional and business lives but you are leaders in the community and the State as is shown by the fact that two of our people here—one is a county commissioner, the other is an assemblyman from our State, and John Carpenter has served as county commissioner of his county for many years. They have all taken an active part in the government and are aware of the problem here and you have presented an outstanding case and you can rest assured it will receive our very careful and full attention.

I have no specific questions to ask, Mr. Chairman.

Senator CHURCH. Thank you, Senator.

Senator Hansen?

Senator HANSEN. I have no questions. I understand better than ever before why Senator Bible is so proud of his constituency.

Senator CHURCH. Senator Hatfield?

Senator HATFIELD. I have no questions. Senator Bible and I often share our common objectives in things that we are interested in doing and I just want to say as far as the livestock industry is concerned, as you probably know, the very rich heritage of your industry in Nevada is closely related to my State of Oregon.

Back before the turn of the century we were one of the largest providers, if not the largest provider, of stock to the Chicago stockyards and it all came through the railhead at Winnemucca. So, we are indebted to you.

Senator CHURCH. Thank you, Senator, and thank you very much for your testimony, gentlemen. I hope you make the plane.

It is 25 minutes of 1 and I must remind the members of the committee that we still have a great many witnesses to hear. Three-quarters of the time set aside for the hearings has been exhausted and we still have

three-quarters of the witnesses to hear. It is very difficult to make those two facts mesh. We will try to do better this afternoon.

I do want to say, however, that Fred Glenn from Fruitvale, Idaho, of the Payette Forest Cattlemen's Association, in the interest of time, has submitted his statement in writing and it will appear in the record as though it had been read.

STATEMENT OF FRED GLENN, REPRESENTING THE PAYETTE FOREST CATTLEMEN'S ASSOCIATION

Mr. GLENN. Thank you Mr. Chairman and honorable members of the Senate committee. I am here to try and explain to you the reasons why any raise in the cost of running livestock on the Federal lands would place an unbearable burden on the livestock industry in Idaho.

When a permittee with a grazing preference on the national forest is to take a 40- to 50-percent cut in allotted cattle and then at the same time tell him his grazing fee will be increased 300 percent, he will do what so many of our cattlemen have been forced to do: Sell the cattle and try to find other means of making a living.

In parts of Idaho our cattle graze the national forest's where timber has been removed in logging operations. This is something we expect, and could live with if the lands were reseeded to grass once the logging was complete. But, gentlemen, a piece of plowed land is not as valuable for grazing as a well kept piece of pasture and I am sure you would not want to pay the same price for it, because there is no comparison of fee value.

Another reason for our concern of the price increase is the inflationary spiral of land values brought about by people paying more for ranches than their worth. They are run until the payment is due and are forced to be foreclosed. This causes our taxes to be raised to meet the 100 percent of value the Supreme Court justified to be right. Value was once considered to be what a place would produce for a good farmer or rancher making a living for the family and paying for the land in a 10-year period; now value is taken on the price it sells for.

The Forest Service has left out quite a number of facts in regard to the cost of running animal units on national forest land. In addition to the riding fees, salting, death loss from poison, and rustling, we must maintain miles and miles of fences which must be let down every fall and put back up every spring. We also put up money for seeding grass on logged off terrain.

We bought these permits with commensurate property costing us \$100 per head. We also have taken a 50-percent cut on the forest which would make our permits cost \$200 per head. We have also been cut in time from June 1, to July 1, and from November 1, back to October 15, which is a loss of 45 days grazing.

I estimate that my grazing privilege is costing me \$5 per month per cow unit which is higher than private pasture. Small operators are fast disappearing off the forest. This means that the cost is prohibitive.

The Payette National Forest graze 11,440 cattle and 40,350 sheep annually.

Unit cost, \$200 interest 6 percent, \$12 per year, 45 days grazing loss \$7.50 per year, riding fees \$4 per year per head, fencing and seeding \$2 per head, salting 50 cents. Death loss average \$5 per head, 44 cents per month $3\frac{1}{2}$ months, \$1.52 per head.

| | |
|--------------------------|----------|
| Interest----- | \$12. 00 |
| Grazing reduction----- | 7. 50 |
| Fencing and seeding----- | 2. 00 |
| Riding fees----- | 4. 00 |
| Salt----- | . 50 |
| Death loss----- | 1. 52 |

27. 52

Senator CHURCH. I want to emphasize that we are producing a written record here which we hope will have value to the Secretary of the Interior in what he has now promised to do, that is, reassess this question. It is in the review of the written record that the case will be studied by those who will be reexamining and reevaluating the fee schedule at the Department of the Interior.

For that reason and in the interests of time—anyone who would like to submit their statement so that it may appear at an appropriate place in the record, will please feel free to do as Fred Glenn has done. By this you will have accomplished as much as if you appear personally before the committee, except that we will not have an opportunity, of course, to question you. But a personal appearance is available to you.

If any of you wish to submit a statement, the staff will accept it and it will appear in the record as though you had read it.

We will now take time off for lunch. The committee will reconvene at 2 o'clock this afternoon.

(Whereupon, at 12:40 p.m., the hearing was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

Senator CHURCH. The hour of 2 o'clock having arrived, the hearing will reconvene.

I wonder if Tom Kimball is here in the room?

(No response.)

Senator CHURCH. We shall hear next from Clare Conley, editor of Field and Stream—a native of Idaho. By the way—who is accompanied by Mr. Michael Frome, who is the conservation editor for this outstanding outdoor magazine.

Gentlemen, it is good to welcome you this afternoon to the committee. Do you both have statements to present?

STATEMENT OF CLARE D. CONLEY, EDITOR, FIELD AND STREAM, ACCOMPANIED BY MICHAEL FROME, CONSERVATION EDITOR, FIELD AND STREAM

Mr. FROME. Mr. Conley has the statement, Senator. On behalf of my editor and myself, let me say it is good to see you.

Senator CHURCH. Thank you. It is good to see you. It has always been a pleasure to read your articles on conservation, and we are happy to receive your testimony here today. Welcome to you, too, Clare.

Mr. CONLEY. My name is Clare Conley. I appear as editor of *Field & Stream*, a national monthly magazine with circulation of more than 1.5 million and a long history of leadership in promoting wise use and appreciation of America's outdoors. Although our editorial offices are in New York, I am a native of Caldwell, Idaho, in the heart of the grazing country, and I have been in intimate touch with problems of the range all my life. Accompanying me today is our conservation editor, Michael Frome, who is widely respected as an authority on both natural resources and tourism, particularly on Federal lands.

The readers of *Field & Stream*—our constituents—are deeply concerned over the state of the public lands. Last year we carried two major articles, "The Wide Open Spaces in a Year of Decision," by Mr. Frome, in the April issue, and "The Plot To Steal the West," by William Voigt, Jr., in the October issue, both of which I would like to present for insertion in the record. I have already given them to your assistant.

Senator CHURCH. Both of them will appear as part of the record. (The documents referred to follow:)

THE WIDE-OPEN SPACES IN A YEAR OF DECISION

(By Mike Frome)

As recently as fifteen years ago if a Western politician of one party mildly criticized a Federal land management agency, the chances were that a politician of the opposite party would immediately allege that his opponent hadn't gone far enough, and then thoroughly denounce the outfit in question. It was good politics, the thing to do, and it served the powerful special interests that have run the West for a century.

The late Senator Pat McCarran, a tub-thumper for Nevada mining and livestock industries, delighted in shooting down what he called "swivel chair cowboys and Eastern bureaucrats." He kept the Bureau of Land Management weak and off balance with a six-year-long Senate investigation and forestalled efforts to raise grazing fees. Frank Barrett, Congressman and later Senator from Wyoming, singled out the Forest Service as his special target and conducted a series of vituperative public hearings. The Forest Service, said he, while trying to promote a stockmen's monopoly over national forest grazing lands, was "arrogant, bigoted, tyrannical—void of respect of law or the rights of other people."

Times have changed since the McCarran-Barrett era. The special interests still exercise immense political influence, but the stranglehold is loosening. This was clearly shown last fall in Wyoming, when Governor Stanley Hathaway, speaking for the cattlemen who form the power structure of his state, attacked proposed new BLM regulations to manage scattered tracts of grazing land as "another step by the Federal Government to bring the livestock industry under complete bureaucratic control." If the new regulations were put into effect, the Governor predicted darkly, "a one billion dollar annual industry in the state will be under the heels of the Federal Government." This was to be expected, but the reaction of Senator Gale McGee was not. Instead of playing a me-too game, the Senator countered by telling the stockmen to their faces that the new regulations were not all that serious, and furthermore that the Government obligation is "to administer the public lands as a public trust, not in behalf of a few individuals." He probably could not have gotten away with that fifteen years ago.

The key to the difference in this short span of time perhaps is most readily found in California. The population there is growing by 1,500 persons every day of the year. For each new ten persons one acre of open space must be eliminated from the California landscape. The roving room that remains becomes that much more precious—too valuable to waste, or to furnish to one commercial use only, or to surrender to landgrabbers. The smart, honest Western politicians are learning that they can stand up and meet higher responsibilities than those called for by the special economic interests.

They recognize that the people of the West and all the country are now awakening to the "public lands," the domain administered by the Bureau of Land Management in the Department of the Interior, as they have been awake for years to national parks, national forests, and wildlife refuges. Public lands cover 175 million acres (an area greater in size than California and Nevada combined) in the eleven Western states, plus 282 million acres in Alaska, but they have been a vague concept for too long. Though they belong to all the people, they have been run by the Western bloc in Congress in behalf of a handful of their "pioneer" constituents, the miners, loggers, stockmen, oil and gas interests, and land speculators, and generously ignored by the Eastern bloc.

As a consequence, millions upon millions of acres are in poor condition, an eroded and unproductive wasteland. Congress has kept the BLM laboring under a cloud of uncertainty, though it administers 60 percent of all Federal land. The agency has been forced to suffer shifts and changes through the years, a sequence of traumatic experiences from which the Fish and Wildlife National Forest, and National Park Services have been gently spared.

Now, however, the public has a better chance. Representative Wayne Aspinall, of Colorado, an imperious, provincial old liner, runs the House Interior Committee, of which he is chairman, with a firm hand. But in his own oblique way he responds to the strength and challenge of a new young Western leadership, and of the Eastern conscience, expressed by Representative John Saylor, of Pennsylvania. For years the Interior Department, like a closed corporation, was dominated by Western vested interests and politicians, riddled with patronage appointees in key posts. Secretary Stewart L. Udall has had a small measure of success in reshaping it into a national agency more responsive to public interest. There is still too much lip service where courage and performance are called for, but the several layers of Interior officials, from the Secretary on down, are out in the open with no place to hide.

The public lands are worthy of all the attention they may now receive, after being ignored for so long. They are the "leftover lands" of the old public domain, which nobody wanted in the development of the West. They were given minimum protection, no mandate of management. Their principal mission was grazing. Today we recognize in them the largest undeveloped potential for wildlife and recreation in America. Given proper management, they are capable of producing more game and fish than any other Federal lands.

Sportsmen have an immense stake in the future of the public lands, a tremendously diverse country. They are the home grounds of caribou and mountain goat in Alaska; antelope in Wyoming; elk in Idaho; barbary sheep in New Mexico; bighorn in Nevada; javelina, wild turkey, and mountain lion in Arizona; one of the country's heaviest concentrations of deer in Colorado—plus millions of small game, upland birds, and waterfowl. One of the finest stretches of the rugged Rogue River, famous for steelhead and salmon, runs through steep-walled canyons of the public lands in Oregon.

In addition, the deserts are a dramatic geological phenomenon unmatched by any other region. They are sparsely vegetated, water is scarce, summers are hot, and lands are fragile. But portions deserve to be set aside as wilderness, for primitive hiking, camping, and scientific research. During spring other portions can be enjoyed by rockhounds, picnickers, photographers, and all kinds of people who want to get out and sample America's last frontier.

Indeed, public lands comprise the last untapped, smog-free frontier. They embrace everything from cactus and creosote desert to grassland, Douglas-fir forests, and the tundra and barren icecaps of the north. Given wise development and management, they could provide beach recreation, winter sports, bird and wildlife watching, and a whole host of activities.

Tremendous strides have been made in the last ten years. BLM, for one thing, has generated healthy public participation in policy-making—far more so, I might say, than either the Park Service or Forest Service—which serves to counter the ancient domination of special interests. For another, it has benefited from long overdue legislation that authorizes multiple use management for the first time. Still, it has a long, long way to go, tremendous hurdles and pressures from powerful quarters to overcome.

The biggest difficulty is that Congress has deliberately perpetuated ancient land laws, passed before the turn of the century. These laws, designed for other purposes in other periods, serve today to prevent sound management, to keep the agency weak, and to favor the special interests. To understand them in the context of our times, consider this background of history:

The public domain, the landed estate of the American people, originally included practically all the land within the boundaries of the first forty-eight states, except the original thirteen and Texas. From the earliest days land was sold to provide revenue for State and Federal Government. Land was given to Revolutionary soldiers in lieu of wages. And land passed into the hands of profiteers and speculators—in the beginning even as now.

In 1812, the General Land Office, a direct predecessor of BLM, was established. Its mission was to give land away. The expression "doing a land office business" came into the lexicon when Government land offices were established and everything possible was done to help a citizen get his legal, rightful quota of the public domain. But with the opening of the West, land laws were short-cut and subverted, leading to fraud, intense speculation, and concentration of wealth. Millions of acres changed hands under laws designed to aid the settler.

For example, the Homestead Act of 1862 required construction of a dwelling, but since proofs of compliance were by affidavit, the tiniest possible house could be erected, about fourteen by sixteen—inches, not feet. Under terms of the Swamp and Overflow Act, claimants testified to the "overflowed" character of the land by swearing they had crossed it in a boat, neatly forgetting to mention that the boat was being hauled behind a wagon. On the other hand, irrigation ditches built under the Desert Land Act often failed to carry any water—and that law is still on the books, long obsolete but used deviously today by large land companies.

Railroads were given 130 million acres, directly or through the states, in alternate, checkerboard sections along their routes, "in aid," to finance construction. Their holdings were intended for sale to settlers, but through "indemnity acts" they were able to trade for some of the finest timber stands of the West. Then there were the lumber companies, which transported hired "entrymen" to file claims for \$2.50 an acre under the Timber and Stone Act and thus obtained through sheer fraud millions of acres of priceless redwood and Douglas-fir forest.

The marvel of the era was that in 1872, in the face of dissolution of the nation's treasures, Yellowstone should be set aside as a public trust, or "withdrawn" from any possible private claim. This was a new course that ultimately led to establishment of national parks, forests, and wildlife refuges.

Nevertheless, in that same year, the nation's basic mining law was passed. It authorized anyone to roam the public lands in order to stake mining claims and attempt to discover valuable minerals; and, if he made a discovery, to purchase land for \$2.50 or \$5 an acre. The law is horribly outdated—everybody knows it and has known it for years. In 1920 the law was modified to provide for leasing, instead of purchase, of oil and gas, oil shale, potash, phosphate and coal deposits. It was modified again in 1955 to eliminate claims on some common varieties of minerals. But the basic law is still in effect and applies to a great many varieties, common and uncommon. The legitimate miners and pseudo-miners receive the same "incentive and reward" as the "hardy pioneer opening new frontiers" of almost one century ago, irrespective of all the new values in the lands.

Thus, claims are filed to obtain title to land for speculation in areas of booming real estate, for summer cabins, filling stations, and timber. In 1966 alone, thousands of claims were filed for a mineral called dawsonite and other little-known metals in the Green River Basin of Colorado, Utah, and Wyoming—an area containing what could prove a treasure in oil shale resources. Oil shale is covered by the leasing act, which provide rentals and royalties in favor of the United States, but dawsonite, the claimants hope, is not. And no matter who files a claim, much of the property has ended up with the nation's major petroleum firms. Once a tract is disposed of, it is gone forever as far as use by the public is concerned.

The development of minerals might easily be placed entirely on a leasing basis, with supervision and control of the surface remaining in Government hands. But mining interests exercise an almost primeval freedom and power, and enjoy privileges unmatched by other users of our natural resources. The mineral and petroleum interests speak softly, but their voices are heard clearly in the halls of Congress. And so the ancient mining laws are sacrosanct.

Livestock men once exercised more power over the public lands than they do today, although the range is still badly overgrazed almost everywhere. Some parts of the arid desert should never have been grazed at all, considering they provide scant forage and contribute virtually nothing to stability of the grazing industry. But grazing began and grew as sheer anarchy. The stockman, as Major John Wesley Powell once wrote, was "a trespasser on the public domain, an obstacle to settlement, and at best a crude forerunner of civilization."

In one sense, public land policies—or the lack of them—forced overgrazing. Stockmen discovered that, in the absence of order, he who was first was best. They were forced to any extent to control water, and they know that whatever grass they left other would get—so they concentrated on leaving no grass at all. Range wars were a way of life between the cattlemen and the sheepmen, the latter roving with flocks of thousands. The cattlemen and sheepmen both fought the homesteaders, many of whom wasted their lives and their savings trying to farm, at Government invitation, desert lands which were too dry, rough or rocky, and grasslands which were too fragile for agriculture.

After half a century of anarchy and deteriorating range over millions of acres, the Taylor Grazing Act in 1934 marked the first step to introduce some semblance of protection, if not management, into the public lands. It established grazing districts and a permit system. A priority of use in granting permits was based on the number of stock on the public range during the five preceding years. Preference was accorded to owners of land and water who could support their stock during the off months as a ranching unit.

The grazing districts, initially covering 80 million acres, were administered by a new agency, the Grazing Division, while the old General Land Office continued to issue leases for using the rest of the public domain (these two later merged to become the Bureau of Land Management), but the real power was vested in local stockmen's associations, which chose members of governing advisory boards. They determined rules, regulations, allotments, and carrying capacity, and gave more orders than advice to Government agents.

The Taylor Grazing Act was fraught with shortcomings. It failed to furnish authority really needed to manage the resources. It enabled some ranchers to overrate the numbers of stock they had run during the priority period, and it discriminated unfairly against others, driving honest men to bankruptcy. But it stopped range wars and unregulated competitive grazing, and marked a breakthrough to bringing order out of chaos.

The favored ranchers supported the Taylor Grazing Act. But they insisted on exercising political influence to keep administration weak. For years personnel was insufficient to conduct range surveys—the saying went that one or two men was responsible for supervising grazing on a district of two to eight million acres. Few people knew or cared anything about their affairs. They were alone, except for the stockmen, who were with them always. There was no organized program, no way of determining the actual carrying capacity of the land, and very little range improvement. One committee of Congress was unwilling to accept the principle of management or to increase grazing fees, while another committee declined to increase BLM's appropriation until it showed more revenue from increased fees.

Thus, the public lands continued to suffer abuse and to go downhill. Whenever a BLM director tried to reverse the trend, he was cut down by pressure from without and weakness in his own Department. The lands were picked over not only by commercial interests, but by other Federal agencies: Atomic Energy Commission; military services; the U.S. Geological Survey, conducting explorations in ways that scar the earth; and the National Park Service, claiming the best areas for its own administration and proposing others as trading stock for acquiring private land for new parks.

The outlook until recent years could scarcely have been more dismal. The changing times, however, have demanded that politicians depart from their traditional inaction, indecision, and vacillation. In 1957, BLM received appropriations for an intensive ten-year grazing review, called adjudication, and inventory of forage production and demand, and determination of the adjustment necessary to bring them in balance.

Adjudication has been a tremendous project, involving surveys of the Federal range and 17,000 ranch properties, covering almost 200 million acres. It showed, clearly and simply, that the range was in poor condition and therefore unfit for wildlife and watershed protection, and not much good for grazing.

But adjudication represents the beginning. Last summer in Eastern Oregon I saw in action the next step—range management.

"Adjudication was a nasty word around here," Max Lieurance, manager of the Vale District of BLM, said to me. "It meant reduction to the stockmen and nobody knew what he would come out with. In some units legitimate priority existed for more than twice the carrying capacity. But reduction alone wouldn't do the job—it still meant congregating stock in the accessible areas with water. We needed a cooperative program, of working together, to manage the land and stock in the best interest of all."

Max, a husky native Northwesterner schooled on the range, and I drove over part of the Vale District, which covers as much land as the State of Maryland. ("It's a long way to anywhere, from here to there," he said.) It is a high, dry country, with short growing season and a thin skin of soil. A century ago it supported healthy stands of native perennial grasses, but sagebrush is now the dominant vegetation, surrounded by clusters of cheatgrass, an annual which provides little forage and burns like flash fuel. The Vale District is the scene of about 330 ranching operations, with licenses to graze about 90,000 head of cattle and 45,000 head of sheep on public lands.

"Until 1962 we couldn't move," Max continued. "We had little money, few personnel. We were jumping from unit to unit, making surveys, talking about adjudication, while the resource was going downhill and looking more like desert pavement every day. We had no fire towers, firebreaks or guard stations, and no maintenance. Finally the Oregon delegation in Congress accepted our program and said, 'We'll get the money. Let's see what you can do.'"

That was when the "Vale Project" began—the largest rangeland renewal program ever attempted, a model area of national and international importance.

The uphill struggles of the Vale Project constitute a story in itself. Brush has been controlled by aerial spray on 300,000 acres, releasing moisture for grasses. Drought resistant grass has been seeded on 200,000 acres. More than a thousand miles of fences have been built, and nearly 600 water troughs and storage tanks installed. The point that impresses me most, however, is not the role of the Government but of the ranchers. When they finally realized their backs were to the wall and the range was doomed, they accepted voluntary reductions in the number of stock and in the number of months on the public range. They accepted the practice of resting some pastures, of rotating use of others, of moving their cattle from one range unit to another. In short, they accepted the principle of management.

At Vale, ranchers played a key part in proving that public land can be made more productive, and, consequently, in building more profitable operations for themselves. In some units, where it formerly took seventy acres to support one cow in a month, it now takes two to four acres. In other units, where it took fifteen acres per cow, it now takes one and a half acres. Today the stockmen see not only grass in place of desert, but some of their early reductions restored.

Vale is the showplace of the BLM range, but hardly typical. Thus, far, on all the public lands, a total of 700 management plans have been completed, covering less than eighteen million acres. Approximately 12,800 such plans are needed in order to rehabilitate depleted range, to correct erosion, to improve all the natural resources, for water, wildlife, wilderness and recreation, as well as forage for livestock.

Three years ago the BLM initiated a more intensive program of range management. Bureau range managers believe that it is possible to double forage production by proper management alone without costly investments in seeding, land treatments, and brush sprayings. As a part of this effort a system of "rest-rotation" grazing management was started, first in a series of demonstration areas, and now each district has planned or initiated at least one "rest-rotation" system. Developed by Gus Hormay, a longtime employee of the Forest Service who now works for BLM, the results have been spectacular. Even in areas plagued by drought, vegetation conditions have improved significantly.

The stockman is often pictured by conservationists as the bad guy, but I insist this view is sorely outmoded for the bulk of them. BLM management is based on the interdependence of public and private property; therefore it serves to stimulate a healthy land resource on both and enlarges the vistas and potentials of Western open space. It should not be forgotten that when snows come game herds filter to lower valleys and private lands. If these lands are lost, the game is lost. Reductions in grazing numbers are urgently required on some ranges all over the West. The marginal weekend ranchers, who hold permits for twenty-five or fifty head of cattle and have little real interest in the land, may be eliminated, and maybe they should be. But a viable ranch economy, sustaining the medium-size stockman who runs 400 to 500 head, is much in the public interest and should be a goal of the public lands.

As for wildlife, the greatest need is to assure that the range is grazed within carrying capacity. Wildlife and livestock do not have to be serious competitors, if both are kept in bounds. What is good for one can often be good for the other. On the Vale Project, new roads to move livestock are also used by hunters and other outdoor recreationists. Reseedings for cattle receive

substantial use by antelope. Other seedings of nomad alfalfa and bitterbrush are designed for wildlife; and portions of sagebrush are spared from chemical treatment for the benefit of sage grouse, antelope, and deer. In developing the multiple-use plan, the Oregon Game Department furnishes the wildlife requirements, which help strengthen public support for the whole program.

The Vale Project is part of the new look, the upturn of recent years. In 1962, the old state and national advisory boards were expanded from single-use grazing membership to a broader base of community representation. A livewire, creative director of BLM, Charles Stoddard, who served from 1963 to 1966, brought in good new talents, including Bob Smith, Arizona Game and Fish Director, to head up the wildlife program; Glen Fulcher, professor of agricultural economics at the University of Nevada, a BLM critic, to direct the range staff, and Albert M. Day, former Director of the Fish and Wildlife Service, to serve as a consultant. Stoddard sparked interest in modern multiple-use land planning that transcends spending soil and water conservation money for livestock only, surveying strictly for applicants for Federal lands, or running a forestry program just for timber sales. He gave the agency a legacy of lofty goals to fulfill in years to come.

Before 1964, the whole concept of public lands was directed toward disposal. The Taylor Grazing Act was only a part way measure that authorized administration "pending final disposal" and established grazing as the primary use. BLM and the Interior Department asked Congress for a permanent multiple-use law, patterned after the National Forest Multiple Use Act of 1960. Congress demurred, in its own fashion; it countered by establishing the Public Land Law Review Commission to study laws and procedures of all Federal land agencies. BLM came off with another temporary measure, the Classification and Multiple Use Act, but this time there was meat on the bone.

The Act gave authority to classify lands for disposition or for retention in multiple-use management in manners that "best meet the present and future needs of the American people." Until the Commission's report is submitted, according to the Act, BLM can manage retained lands for grazing, occupancy, industrial development, fish and wildlife, timber, outdoor recreation, mineral development, watershed, wilderness preservation, or preservation of public values "that would be lost if the land passed from Federal ownership." It also adopted the streamlined Public Land Sales Act, which provides for the sale of suitable large tracts for community growth and development with requisites of zoning.

The Multiple Use Act has recast the public lands—to be managed, not simply maintained for disposal. And when Congress last fall extended the life of the Public Land Law Review Commission, it had no alternative, despite the pressures of the special interests and their political allies, but to extend the Multiple Use Act.

So far, more than sixty-six million acres have been classified, almost entirely for multiple use management. The first classification involved 600,000 acres in Valley County, Montana, where the Valley County Advisory Group, appointed by the county commissioners, held twenty-five open meetings to inform the public and seek local views. Those early hearings set a pattern of healthy public expression and interest in continuing Federal ownership. In North Dakota, where BLM thought of disposing of all its remaining holdings, wildlife groups pointed out that pothole country contained excellent habitat for migrating birds. In area after area, the public surprisingly has insisted on retaining isolated tracts for picnicking, fishing, rock-hounding, and camping. These isolated tracts include the roughest, toughest parts of the Deschutes River in Oregon, with some of the finest potential for steelhead and salmon fishing in the Northwest, and thirty miles of the Salmon River, near the confluence of the Snake River in Idaho, with fishing for catfish, bass, and sturgeon. Another area classified for retention covers one hundred miles along the Gila River near Phoenix, Arizona, a green belt in the arid desert regarded as the finest whitewing nesting habitat in the United States, and heavily populated with mourning dove, quail, song-birds, and mule deer.

It is roughly estimated that 150 million of the 175 million acres in the Western States may ultimately be classified for retention. BLM has begun a monumental program of posting signs, so that sportsmen and other recreation users will know when they are on public land and when they are not. Maps of public lands in each state are now available for the first time. In Wyoming, the agency has negotiated some agreements with the state and land owners to permit access across private property, a critical need throughout the West considering the pattern of intermingled ownership.

The BLM maps illustrate the horrible pattern of "checkerboard" ownership. The railroads, as I mentioned earlier, received alternating sections along their routes. The states received grants specified as "school sections." Settlers claimed the arable bottom lands and miners patented other tracts scattered over the public domain. The checkerboard system is nobody's fault; the original intention was to give all the land away. But today it stands in the way of efficient, economic land management. Land exchange with private owners in order to fill in the blocks is a must, but BLM does not have the same authority to conduct workable exchanges as do the Park and Forest Services.

This is just one of a thousand public land problems which now confront the Public Land Law Review Commission and, more importantly, the public itself. An opportunity is before the people to create a whole new system of managed lands bearing some such title as Resource Conservation Areas, with names comparable to national parks and national forests, with boundaries, and with signs at entrances and exists—a real identity for the public lands.

The present director of BLM, Boyd Rasmussen, could be the man to lead the agency toward this fulfillment. Before coming to Interior last year he had worked in the West with the Forest Service for nearly thirty years and learned the organizational ropes. He is the sort of bureau chief to insist on choosing his own personnel on the basis of merit and not political connections. And if he doesn't insist on it, the odds are against him, and BLM, making the grade.

Many of the big decisions are hanging fire, pending the report of the Public Land Law Review Commission. Some decisions and actions cannot wait. To continue to dispose of land under antiquated laws deprives the Commission and Congress of their options; therefore, actions under creaky statutes like the Desert Land Law and the Mining Law should be contained. Several thousand cases of illegal occupancy on Government lands—some involving squatters with affluence and influence—should be cleared up with dispatch. This can be done without any new Congressional sanction. And other BLM state offices can follow the pattern in Arizona of clearing billboards and other forms of blight from the public lands.

Just as management plans are being prepared for grazing allotments, so should detailed management plans be prepared for wildlife and recreation. BLM has the authority now to identify and safeguard scenic, scientific, and natural values. Yet when I traveled the Rogue River last year I found that timber cutting practices leave a lot to be desired in protecting the wild character of the river and its fisheries resource.

I foresee that one of the big issues of the future will involve the quality of recreation on BLM lands. Most stockmen look upon recreation more with apprehension than antagonism. They know they cannot deny the public use of its own lands, but they fear being overrun by litter, vandalism, and defacement. They envision hunters camping in meadows held for late grazing, and occasionally shooting stock instead of game; and campers who forget to bring firewood using fenceposts, or cutting through fences when no gate is handy. It strikes me that if we are serious about the term "carrying capacity of the land," then we should determine acceptable numbers and types of human use, as well as animal use, and institute restraints on one as well as the other. Considering that the surge to the outdoor represents an awakening in concern for conservation and a quality environment, such restraints are in the best public interest.

Our best interest will be served by looking at the public land as the property of all the people, with benefits measured in higher terms than revenues to the Government or profits to the powerful few. To be specific, why do we need so urgently to develop the oil shale resource of the Green River Basin? "Known and anticipated reserves are considered wholly adequate to carry us into the next century on the basis of our best judgment on demand," Secretary Udall wrote recently. In the next breath he added that, "We cannot be entirely sure that some discovery or event may [not] require a sharp increase in petroleum energy demand," but he might also have noted that some other discovery could very easily enable a sharp decrease in demand.

In the heart of the Green River Basin, the Piceance Creek drainage of northwestern Colorado is one of the most famous and productive hunting areas in North America, a wintering ground for 30,000 to 60,000 mule deer. Industrial development certainly could endanger the wildlife habitat. Strip mining for oil shale could ruin the land surface for other uses. It could create enormous spoil piles and problems in stream and air pollution. More valuable are the intangibles which has no price tag.

The public lands, as I wrote earlier, constitute the nation's last smogfree frontier. And so they can remain, for the benefit of this generation and generations hence. It won't be easy to protect them as such, but the effort is worth it. After all, these lands are ours.

THE PLOT TO STEAL THE WEST

(By William Voigt, Jr.)

Twenty years ago we called it "The Great Land Grab." Nobody has yet put a label on the present happening, but there are some striking similarities to what has gone before—including familiar faces, names, and organizational titles.

That other time a handful of aroused conservationists recruited a scratch army of helpers and blocked the would-be land grab. They didn't kill it, though. Hunger for land doesn't die easy, especially when its public land that our Government had been in the habit of practically given away for more than a century and a half.

After the conservationists threw back the heavy land-grab offensive of 1946-47, they had to maintain an alert for several more years against flank attacks on our national estate in the West.

Who wore the black hats in this story? In normal social intercourse they usually were a pretty good bunch of fellows: genial ranchers with a flair for openhanded hospitality, western style. The smiles would go off their faces, however, when the talk got around to the grazing of domestic livestock on the national forests and the public domain. Then they would take on some of the characteristics of the robber barons of the last half of the 19th century. And they had some powerful allies.

It should be clearly understood that the entire western livestock industry never was in on the land grab. It was organized and led by a handful of influential ranchers with key places in state and national livestock associations. Some were old enough to remember the winner-take-all days of the open range, when the rancher who had possession of strategically located waterholes and enough armed cowhands or sheepherders to hang on to them, ruled the whole back country—at times hundreds of square miles of prime mountain and plains forage—for his herds or flocks.

And what were these livestock leaders shooting for? Millions of acres of public domain and other areas administered by the Bureau of Land Management: large chunks—more millions of acres—managed by the Forest Service; and even certain potential grazing lands in our national parks and monuments.

The lands those stockmen wanted were, and still are, the habitat for most of the year of close to three-fourths of the chief big-game animals of the West—deer, elk, antelope, and bear. Their lakes and streams were, and still are, the home of most of the West's trout and other cold-water species of fish. Their shaded glades, their foot and horse trails that follow the valleys of clear mountain brooks, and their camping and picnicking areas alongside streams and lakes, even then had a use record of more than eight million visitor-days of outdoor recreation of all kinds. Today those numbers have grown to more than 112 million and are still growing.

Early land practices—including severe overuse of the West by growing numbers of cattle and sheep—had by the turn of this century cut down big-game numbers to the point where some could be called endangered species. The first restraints put upon the livestock use of public lands came about 1905, when Theodore Roosevelt was president. The game animals responded the way nature intended them to respond to improved habitat and greater protection against enemies. They multiplied rapidly.

When grazing on the public domain was first brought under government regulation after passage of the Taylor Grazing Act of 1934, a notable increase took place in native big-game animals there, too—especially antelope, which like the high plains country.

In fact, the animal increase made big-game hunting so popular that tourist bureaus throughout the public land West began bragging about how much new money was coming in from the East and Midwest.

On the other hand, stockmen began complaining. Elk, and, to a lesser extent, deer, ate stacked hay and fences suffered. Some ranchers were willing to give game animals a break. Many others were unhappy because their cattle and sheep had to share the available grass and browse with elk and deer. So, "big-

game damage" and "big-game competition for forage" became a fixed part of the western natural resource issue and were the subject of editorials in stockmen's magazines.

It was a combination of these various things—resentment over Government laws and regulations, ambition to own bigger livestock spreads, the big-game "problem", and related matters—that brought on the attempted land grab in the late 1940's.

C. R. "Pink" Gutermuth, vice president of the Wildlife Management Institute, told me he believes there is vastly more at stake today than in 1946-47, and that grazing lands may now be a minority interest. He believes that by comparison, we can look back on that earlier attempt as little more than a mini-grab.

The stockmen were out in front then, leading the charge. They are out in front again now. This time their readily identifiable allies are more prominently in evidence, and have increased in number. They are the Chamber of Commerce of the United States of America, The American Farm Bureau Federation, and The National Association of Manufacturers.

The membership represented nationally by the U.S. Chamber then and now consists of commercial users of every kind of natural resource found in the public lands of the West. If the stockmen had gotten what they wanted in that era, how long would it have taken before others moved in to claim their share of the kill?

Ranchers taking part in the earlier scheme talked and thought in terms of the pounds of beef and mutton that forage from the public lands would put on their livestock. The conservation team thought of the fine hunting and fishing found there, and the boating, hiking, picnicking, camping, mountain climbing, skiing, or just plain feasting the eyes on spectacular scenery, reveling in the open space that was all around. And none of it was posted. It belonged to us, you and me.

The acres in public ownership cannot be increased substantially. We have to make do with what we have now, for the most part, yet our population is rising every year, increasing the demand for Uncle Sam's acres without increasing the supply. That automatically raises the value of what there is. Open space, clear air, clean water—things that are still available in relative abundance in the West—are worth many times today what they were in the 1940's, because we have more people hankering to enjoy them and they are scarce commodities nearly everywhere else. These factors, at least, are being recognized.

Why there was a period of relative quiet for some years after the main battle twenty years ago is something else, another story we won't go into here. The main point is that for a time the stockmen were reasonably mollified. Once in a while a rumbling sound seemed to forecast a new eruption from the livestock side. Such a sound came in 1961, when a Wyoming state livestock organization adopted a set of resolutions, one of which openly advocated another land-grab attempt, 1946 style. It could be, of course, that this was mainly a way of expressing resentment that Congress had in 1960 passed the Multiple Use and Sustained Yield Act to govern management of the national forests.

This was a good law. But in assessing the western land situation in all its changing patterns through the years, we must face the basic and unpleasant truth that Congress has not done a good overall job of writing public land laws. New bills have been passed time and again without repealing or amending old laws with obsolete or conflicting language. By the early 1960's we had approximately 5,000 Federal land laws and almost 15,000 rules and regulations growing out of the laws, which was an unholy mess, and still is today.

The upshot was the enactment in 1964 of P.L. 88-606, creating the Public Land Law Review Commission (PLLRC), which is to report its findings to Congress in 1970. It consists of members from both houses of Congress, and of Presidential appointees. There is a prestigious advisory council, and state advisers were appointed by the fifty Governors. The commission's job is to make recommendations to reduce the land laws to manageable numbers and to orderly, logical content. It is to seek more efficient and economical administration of the hundreds of millions of acres held in trust for the people of America by the Federal Government. Finally, the commission is to take a position on which public lands are to be disposed of and which retained in Federal ownership.

That clause, to get rid of or retain, is the hook in the law. There really are bits and pieces of public land that the Government could well do without and which can legitimately be put in private or state hands without harming the bulk of the public lands and their management as a national estate held in trust.

But it wasn't long after the passage of the act and the creation of the PLLRC before that well-known tendency of history to repeat itself appeared.

The commission held a series of public meetings at intervals between June 1966, and April 1968. At meetings in the West and at Washington, those old familiar names, titles, and organizations were much in evidence.

The testimony of the stockmen before the commission was loaded with references to "security of tenure," and to the "disposal" of "suitable" public lands.

"Security of tenure" may be translated as "I want to keep what I've got for a long, long time."

"Disposal" means "Sell it to me, cheap."

"Suitable" is defined as "Whatever has money in it for me."

And as the stockmen testified, their allies nodded their heads in approval. When they took their turn at the witness table, they told the commission, "That goes for me, too."

Why this attitude by the groups that say they speak for business and industry? One simply is forced to surmise that it stems from the astronomical dollar values that are on and under the public lands. The timber with the highest per-acre worth stands on national forests and other western areas similar to those forests. The mineral wealth that remains in these lands is fabulous; oil shale alone—lying in thick beds in Wyoming, Colorado, and Utah—has been estimated as worth at least \$300 billion.

But a number of very important steps must be taken before any sizable chunks of public land can be "disposed of" to private interests. First of all, it is unlikely that Congress would immediately pass laws to do so without PLLRC recommendation. The stockmen know this, which may be one of the reasons so many of them traveled so far to testify in favor of disposal at PLLRC meetings.

There is no present indication that the commission will recommend disposal of enough public land for it to be called a "grab." People on the commission, and some of their advisers, who vividly remember the 1940's and early 1950's. One of them is U.S. Senator Clinton P. Anderson of New Mexico, the same Anderson who backed the Forest Service so strongly when he was Secretary of Agriculture in the "Wild West Show" days. And it seems a pretty sure bet that most if not all of the commissioners and advisers know that the calendar can't be turned back to the free and easy land practices of the past. We live in the 1960's, not the 1860's.

But if the commission should recommend any substantial disposal of public lands to present users—and the law under which it was created permits it to do this—the flood gates can be expected to open wide. It will be a case of "Hold your hats, boys, here we go again." Livestock, mining, and timber interests are influential in the West. Members of Congress from those states usually listen when they speak, even in a whisper.

Dr. Marion Clawson now operates from the Washington-based research organization, Resources For the Future, Inc., which is financed by the Ford Foundation. He was the first director of the Bureau of Land Management after it was created out of the old General Land Office and the Grazing Service in 1946. He suffered frustration in that capacity; he took punishment. He knows the West; he knows public lands; he knows how the livestock leadership thinks and operates. In the middle 1950's, Dr. Clawson was convinced that the public lands fight had become a standoff. In one of his books he wrote that it looked as though the lands were safely in Federal ownership for the use and enjoyment of future generations of Americans. He didn't believe either the conservation forces or the stockmen and their friends had enough muscle to cram whatever either wanted down the other's throat.

Dr. Clawson remains optimistic. In a recent conversation he said he believes that except for minor adjustments in ownership patterns that really should be made, the Federal estate will remain intact. He said there are, and always will be, special interest groups—including recreationists—wanting many kinds of favors, and they will keep trying. Much of his optimism, however, appeared to rest on the extent to which the guardians of the public estate—in and out of government—keep alert and stand ready to take defensive steps.

And what do some of the key figures in the conservation movement today think? Tom Kimball, of the National Wildlife Federation, does not take as sanguine a view as Clawson. Here is what he wrote me:

"With the myriad demands on our land and water resources, the pressure to allow public lands to go into private ownership is steadily increasing. You could not call this a resurgence of the old land grab by the exploiters because it never ceased. As specific evidence, the wool growers' and cattlemen's associations are today assessing permittees of public lands so much per animal unit month

of grazing, with the money to be used as a war chest. . . . You can rest assured that . . . if we have our way, whatever lands are necessary will be reserved in public ownership to meet a wide variety of needs, not the least of which is wholesome outdoor recreation."

C. R. "Pink" Gutermuth, mentioned earlier, told the National Audubon Society:

"If outdoor recreation, fish and wildlife, and environmental values are to have full consideration in the deliberations of the commission, and subsequently by the Congress, more conservationists will have to make their views known. The commission has been soliciting opinions, and I can assure you that the so-called user groups—the mining, timber, irrigation, forage, and public land occupancy interests—have been filling the record and making demands to which many of us are opposed."

And Joe Penfold, of the Izaak Walton League, said in a summarizing statement to the commission:

"The problems and the issues of the public lands stem from one principal fact: They are immensely valuable, for their timber, forage, minerals, wildlife, water, for scenic and recreation purposes—and as space itself, that resource which diminishes day by day as the population expands and more and more of the land surface is preempted in meeting basic needs of society. Consequently, we hold that the great bulk of the Federal public lands should be retained in public ownership."

These three thoughtful, experienced leaders in the conservation of our natural resources must have had something fundamental and serious on their minds when they put the quoted words on paper. Their words are like a warning to all who care to stay alert, now and in the years to come.

Mr. CONLEY. Further articles are planned as part of our continuing program to keep our readers and the American public informed and alert.

Mr. Chairman, we support with wholehearted enthusiasm and vigor the regulations providing for an increase in grazing fees to fair market value. The livestock men have indicated they, too, realize the fee is low. The issue essentially is not whether there should be an increase, or even an increase to fair market value, but whether the charge for using the public lands will be determined on the basis of objective analysis, or will be dictated to the public by the stockmen on their own terms.

They demand a monetary value for their grazing permits built into the grazing fees, a concept that would clearly establish proprietary rights which are granted to no other users of public lands.

Outdoor recreationists of the West and of the entire country do not want livestock interests to succeed in forcing this recognition of permit value. It would signal the opening step in granting control of the land to a single use. Based on past experience, fish, wildlife, and the recreation related to them will suffer.

Today, even without Government recognition of permit value, livestock operators often post public lands illegally, extract fees from hunters, and in some instances openly propose that ranchers be given authority to charge recreationists for the use of their grazing allotment areas on lands owned by the people of the United States.

One reason for this sorry state stems from the composition of local district advisory boards as provided by the Taylor Grazing Act. The law requires there be "an advisory board of local stockmen"—and so there is. It is the only use of public domain lands with a Government-sponsored and financed lobby at the BLM district level. Uncle Sam picks up the tab for travel to and expenses at meetings of 53 such boards.

The law authorizes the local boards to advise and recommend on any matters affecting the administration of the act within the district. Consequently, some members, when asked to describe their positions, have stated frankly that they constitute a "board of directors" and that BLM employees do the work after they set the policy. The local boards often have become ruling cliques elected by a small minority of land users—membership shows a very low percent turnover and some members appointed in the beginning are still on board and running things, wielding power far beyond that which would be appointed according to population, numbers of users, or national interests.

Surely, it would be helpful to BLM district managers if each had a full-fledged multiple-use advisory board to provide a cross-section of public viewpoint. But the present arrangement blocks constructive advice. The law presently provides for five to 12 livestock members elected to each district advisory board, plus one appointed member to represent wildlife interests. The vote of the latter can easily be negated at any time. So can his influence: one wildlife adviser was instructed by the chairman that his job was to "Give the game department trouble." He might have done so anyway, for many wildlife advisers have been strictly wolves in sheep's clothing—stockmen supposedly representing wildlife but true only to their own single economic interest.

Trained wildlife biologists rarely ever get appointed, so powerful are ranch politics, and well-intentioned advisers have been forced to switch their recommendations on reductions of livestock for conservation reasons after influential local neighbors ganged up on them.

Yes, some men on the boards have been good conservationists, good citizens, but the overall effect of the system is detrimental to natural resources and the national welfare. The boards understand only one thing: livestock. Recreational economics, esthetic values, the fundamentals of land and water conservation, the board concepts of multiple use, are rarely understood or accepted.

The effect of this single-use outlook by the local boards is apparent on the land, where wildlife-livestock conflicts almost always are resolved in favor of the livestock. Section 9 of the Taylor Act requires the Secretary of the Interior to provide rules and regulations for cooperation with interested State wildlife agencies. This has scarcely ever been implemented beyond the level of lip service. Sheep have been authorized on critical deer and antelope ranges. Essential antelope ranges have been overgrazed. On an average, less than 10 percent, and in some cases less than 1 percent of the carrying capacity of the public lands has been reserved for wildlife.

State and national boards have some other groups represented, but they too are dominated by stockmen. The National Advisory Board Council has 20 livestock members and 22 others for all other points of view—but several of the others polarize with the western livestock interests in a manner that continues their hold on the public lands. In this critical time of our natural resource history, this system is simply not in the best national interest. Endorsement of the new grazing fee schedule by Congress should be the opening step toward the application of real multiple-use concepts on the public lands.

Grazing fees and permit value also have a definite bearing on access, which constitutes a grave and steadily worsening problem, extremely disturbing to sportsmen, I assure you. Allow me to quote from a letter to the editor published in the current (March) issue of *Field & Stream*:

As a sportsman and president of the Craig Chapter of the Colorado Sportsman's Association, I am working in this part of the country to conserve our wildlife so we will have game and a place to hunt. We in this country have trouble getting on public lands, as the stockmen are charging sportsmen to hunt these lands. A lot of these same stockmen would not make it if they owned this land themselves, for their taxes would not then be as cheap as their grazing permits.

We find such a condition prevalent where public and private lands are intermixed, such as in the checkerboard railroad grant areas. Individual ranchers, or groups of ranchers, exploit their public land grazing privileges to establish fee hunting or fishing, acting directly or by leasing their ranch areas to commercial syndicates trading as "clubs." Although no reference may be made in the lease, the public lands are an obvious basic consideration because without them the practice would not be feasible.

In these operations the perimeters of both private and public lands are posted against trespass or public entry. Private roads are closed by means of locking gates. Only club members or persons paying a daily, weekly, or seasonal fee are permitted to use the posted areas. The areas may be patrolled by armed or deputized guards, whose duty is to intimidate and remove anyone who has not paid, even though this citizen may actually be on public land.

Thus, the grazing license is used to control and restrict access to public lands, rather than as a means of protecting such access, as it should.

Several large clubs and a number of smaller clubs are now in business. Unless Congress and the Interior Department act quickly and decisively, the number will doubtless increase. One of these clubs, Elk Mountain Safari, now controls about 300,000 acres of public and private land in Wyoming. Another, Recreation Unlimited, controls more than a million acres of public and private land in Wyoming. The newest, called the American Sportsman's Club, is headquartered in Colorado, but operates in several States.

Mr. Chairman, *Field & Stream* earnestly hopes that this Committee will urge the Secretary of the Interior to require right-of-way across private lands where they block access to public lands, as a fundamental condition of the grazing privilege. The Secretary has the authority to do so under the Taylor Grazing Act.

The Secretary should be urged, further, to adjust grazing fees in order to compensate the landowner for providing a right-of-way, under terms of section 3 of the Taylor Grazing Act.

But most important, Congress and the Secretary should recognize that the problem is caused at its root by intermixed land patterns. Efforts should be accelerated to effectuate land exchanges on a large scale, thus consolidating manageable portions of the public lands in such a manner as to provide maximum benefits to the people.

Difficulty arises for the simple reason that ranchers are using these lands under regulations drafted by the ranching industry itself to implement the Taylor Grazing Act. They exert a proprietary interest;

they control public use of millions of acres of public lands; they are not required to negotiate to continue this control so long as they pay their fees. For these reasons we have come to support the fair market value concept and to oppose the recognition of permit value in grazing fees.

It is undeniable that a small minority of careless, sometimes callous, outdoorsmen have killed livestock, set fire to grasslands and woodlands, shot holes in windmills and stock water tanks, kept cattle away from watering areas, and left litter on public and private land. Such behavior cannot be condoned.

But the cure is not the banishment of all recreationists, or the payment of admission charges to stockmen. The answer to our land problems lies in expanding the provisions for sound management of the land. Wildlife and livestock are not competitors when game management and range management are allowed to be properly done. Actually they enhance each other. The Vale project in Southeastern Oregon has proven this.

As evidence of this I submit for the record an article by Ted Trueblood, "The Vale Project," which will run in a future issue of *Field & Stream*.

Senator CHURCH. Very well. I am glad to direct that an article by my good friend Ted Trueblood be inserted at this point in the record.

Mr. CONLEY. Thank you.

(The article referred to follows:)

TEST PLOT OF THE PUBLIC LANDS

(By Ted Trueblood)

One warm day last October while my wife and I were hunting chukars in southeastern Oregon we drove around a rocky point and came upon a red-capped hunter sitting on the bank above the dirt road. Beside him lay a handsome buck with a rifle leaning in a fork of the wide-spread antlers. Since it was obvious the lucky nimrod had just brought his deer down off the mountain and might be a long way from his car, I stopped and asked if he wanted a ride.

He was a good-looking kid in his early twenties and obviously tired. Sweat, now drying, had traced dark lines on his dusty face, his shoulders sagged, and he'd taken off his boots to ease his feet. But he shook his head and said, "No, my buddy has already gone for the car. Thanks."

I said, "That's a dandy buck."

He beamed. "Isn't he a beauty! Is he a big deer?"

"About as big as they come," I told him, exaggerating just a little, "and a good head. If this was Pennsylvania you could call him a ten-pointer. But how come you don't *know* he's big, after bringing him down to the road?"

"I never saw a mule deer before," the youngster answered. "I grew up in Michigan and after I finished school I got a job in Los Angeles. We drove up Saturday. This is my first hunt in the West." He paused a moment, then went on. "One thing has been bothering me, though. We came through a fence down the road a way, but there were no signs. Do you happen to know whose land we've been hunting on?"

I said, "Yours!"

"Your're kidding! I live in California."

"I know this country pretty well," I explained, "and everything for about 20 miles up and down the road is public domain. The fence you saw was built by the Bureau of Land Management to control grazing. You own this land and so do I—and so does every other American citizen. And you don't have to ask anybody for permission to hunt on it.

He looked at the buck and looked out across the rolling hills to the west, with the red ball of the sun slanting down over them, and then back up the steep, rocky hillside behind. He thought a minute, a furrow coming between his dusty eyebrows, and said, "It's great, isn't it."

It is great. It is the greatest thing American sportsmen have left, this land of ours. Excluding Alaska and the National Forests, we have approximately 170 million acres of public land in the 11 western states. It has a recreation potential, so far but little utilized, that is becoming more valuable day by day as our population grows. But we have done wrong by it in the past and it needs help.

Beginning about 100 years ago, the public domain was grazed by domestic livestock for more than half a century without restriction. There were no rules or regulations. No agency of the Government supervised the use of this land that belonged to all the people. It was the stepchild of our burgeoning American prosperity. Excessive grazing, which probably reached a peak between 1890 and 1910, reduced millions of acres that had once provided lush forage to dust bowl status.

The first attempt to halt the devastation came with the passage of the Taylor Grazing Act in 1934. Its stated purpose was "to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range, and for other purposes."

Grazing districts were set up, to be administered by the newly created Grazing Service, and land not included in them was to be managed by the General Land Office. (Twelve years later these agencies were combined in the Bureau of Land Management of the Department of the Interior.)

So a start was made, forced by the fact that thousands of square miles had been depleted almost beyond repair. The lush grass was gone in huge areas, replaced by weeds and brush that neither provided food for livestock nor prevented erosion. Dust blew in clouds. The rains and melting snows of winter carried silt down off the hillsides into streams and reservoirs. The violent thunderstorms of summer, characteristic of all this arid region, stripped millions of tons of irreplaceable top soil off the slopes.

By 1962, after nearly 30 years of struggling, always with inadequate financing and too-small staffs, to restore the western range lands to their original productive condition or, at least, to prevent further deterioration, the range managers had gained mostly in experience. They had learned many of the answers, but they needed more money and more men. Some of them dreamed of just one spot, a pioneer project, a test plot, where they might demonstrate what could be done if they were given the means to do it.

Their dreams were fulfilled that year when Congress authorized the Vale Project in the southeastern corner of Oregon. Here, in an area about the size of Vermont, bordered by Idaho on the east and Nevada on the south, the Bureau of Land Management's Vale District exhibited all the ills of hundreds of other grazing districts in the West. On the 80 percent of the land within the district that was public domain, 4.6 million acres, we would, for the first time anywhere, spend enough to see if it really is possible to heal the wounds resulting from 75 years of neglect and abuse.

Though still far from completion, the Vale Project already has proved itself. It has demonstrated what can—and must—be done to rehabilitate many more millions of denuded acres. And, surprisingly, though it was originally expected to cost about three dollars an acre, the amazing ability of the land to respond when given a chance has proved that more than was expected can be accomplished for less than was anticipated.

The project was set up for completion in seven years, though at the level of appropriations so far it will probably take 12. There were five objectives: (1) maintain livestock use at current levels with some hope of eventual increase, (2) provide for better stewardship of surface water resources, (3) control soil erosion, (4) provide for full public recreational use, and (5) improve wildlife habitat.

One of the first steps, naturally, was to take inventory. Range resource surveys were made to determine how much grazing is proper. So were dependent property surveys to make sure that home ranches within the area could provide five months of feed for the livestock that would use the range the other seven months.

Suitability of the public land for other purposes has also been analyzed with the ideal of devoting all areas to their highest and best uses. For example, an inventory of recreational potentials produced a list of 123 locations where camping and picnicking facilities could be installed. Plans for watershed management have been drawn up.

At the end of six years, sagebrush had been removed from 209,609 acres and grass had been seeded on 199,098. More than 1,100 miles of fence had been built. Water developments had been completed on 748 locations. In addition, two fire lookouts and one fire guard station had been built, and roads, trails and fire breaks had been constructed.

All of this was primarily for livestock. For wildlife, 36,000 acres of legumes had been seeded (mostly nomad alfalfa sowed with crested wheatgrass planted for cattle); 1,146 acres of fourwing saltbush and 321 acres of bitterbrush had been seeded on deer winter range; cover trees and shrubs for upland birds had been planted on 80 acres in two sites; 18 goose nesting islands had been built in a large stock reservoir; 12 guzzlers and 22 bird baths (both upland bird watering devices) had been installed; one reservoir had been improved for fishing; five springs had been developed and six reservoirs had been built; seven springs and 12 reservoirs had been fenced; four canyons and two study exclosures had been fenced, and 11 cattle guards had been installed.

There is an obvious disparity between improvements made for livestock and improvements made for game—748 water developments compared to 64, for example. How come? There are several good reasons, but first let me say that I have hunted and fished in this area for 30 years and have covered it from end to end and from side to side. I know it well. Furthermore, I have never owned a cow in my life, yet I believe the priority so far has been correct.

First, and basic to the management of all the public domain, is this truth: *What is good for the land is good for everything*—good for livestock, good for game, and good for people. Unregulated grazing created the problems; only control of grazing could correct them. This had to come first.

On the Vale Project, cattle now graze the fenced seedings of crested wheatgrass in the spring. This gives the native grass time to make a healthy growth before they are turned out on it. Then, in the fall, they are shifted back to the wheatgrass again. The result of this rotation surprised even the range experts who proposed it. Freed from prolonged spring grazing, the native range made an amazing comeback.

This meant better forage for cattle when they were on it during the summer. It also meant reduced erosion and better habitat for the deer, antelope, sage grouse, chukars, Hungarian partridge, and quail that use it, too.

Second, the livelihood of the ranchers within the Vale District depends on the public land. Without it, they could not survive; they have no other source of income but their cattle. By removing sagebrush, planting crested wheatgrass, building fences, and providing water, the range was able to support more cattle than before. At the same time, the range itself is in better condition now than it was ten years ago.

Third, many of the developments that were made primarily for livestock have also benefitted the game. This is dry country. The annual precipitation ranges from seven to ten inches and most of it comes either as snow during the winter or in violent thunderstorms during the summer. Nearly all the streams are bone dry from June until January. Many springs flow only intermittently. There are now approximately 2,000 antelope, 37,000 deer, and nobody knows how many upland birds on the Vale Project. And all of them *must have water*.

Game habitat has always been restricted during the dry months, not by food and cover, but by the availability of water. Then the BLM started building little stock reservoirs that caught water from the spring runoff and thunderstorms and held it through the autumn. There is now water in many areas where there was none before. And there is hunting where none existed when I was a boy.

Five years ago next fall, Clare Conley came out from New York to hunt with Willard Cravens and me. It was a so-so year for chukars and quail. We tried several of our old favorite spots and we didn't find many birds. Then, on the 19th of October—I'll never forget it; I have it written down—we started down a new BLM road that looked as though it might take us to a canyon I had hunted before but had been able to reach only by a long, round-about trip. We didn't get to the canyon. Instead, we found—and named—Chukar Lake. We also found and named Chukar Basin. A few days later, we found and named Upper Chukar Lake. The reason for their names is obvious. The place was crawling with chukars. Here, in a high, bone-dry area where there had been no birds before, the BLM had built two little reservoirs for livestock, about two miles apart. The hills were steep and rocky, the cover was good enough, and cheat grass was abundant. Given water, the chukars had every requirement. They moved in and did their thing.

The limit in Oregon that year was eight. We killed 24 chukars and 20 quail that first day. We came back several times before Clare went home and then Willard and I continued to hunt there until the season ended on December 31. The supply of birds was inexhaustible.

Another benefit to game from having many, well-dispersed sources of water is this: When springs are ten miles apart and cattle have to come to them to water, they make a dust bowl around each one. There is neither food nor cover. But when there are many places to get a drink the stock don't use any of them so heavily and the surrounding vegetation isn't trampled out.

Near the eastern side of the Vale District, the 52-mile-long Owyhee Reservoir not only provides irrigation water for 74,000 acres of farm land, it is also the most valuable and popular recreation site in eastern Oregon or southwestern Idaho. But along both sides, cattle that graze the dry slopes must come down to the lake to water. By the end of June, the mouths of many draws are trampled to white, powdery dust and the vegetation is stripped bare or pulled out by the roots. There is no cover for chukars and quail, no feed for deer, and the surroundings are unpleasant for the anglers who might like to picnic there.

As part of the Vale Project, the BLM is developing year-around water sources along the ridges on both sides. Then it plans to build fences more or less parallel to the reservoir. Cattle will graze the low slopes early, but will be moved to the ridges in the summer. This will be better for the stock because the grass is better up high, but could not be utilized before because it was too far from water. And the new arrangement will be far better for both the fishermen and the game.

Fortunately, the fences on the Vale Project are not sheep tight; this is primarily cattle country. No woven wire is used and the bottom strand of barbed wire is 18 inches off the ground. Antelope scoot under it like mice under a door and the deer can jump over. Thus one of the bad features of some range fencing projects has been avoided. So far as I have been able to determine, all of the fences on the Vale Project have, by controlling livestock use, been beneficial to game.

At first, sagebrush removal worried me. Antelope and sagehens depend on it; at times deer use it, too. In addition, it provides cover for chukars and quail. And sagebrush will have been removed from 705,000 acres by the time the project is completed.

But in the 4.6 million acres of public land of the Vale Project this will be only about one acre out of seven. Heavier use by livestock on the more productive one acre will mean lighter use and improved habitat for game on the other six. Furthermore, the better game areas are being avoided in brush control.

Like many other conservation jobs that are vital to the long-term health of America, but at the same time easy to neglect, the care of our western public lands has suffered from lack of funds. There has always been something. Now the sickness of the cities, the Vietnam War, the race to space, and other more spectacular (I don't mean more *urgent*) problems demand attention and get the money while the very basis of our national health—the land—remains the vacant lot of our industrial community.

The Vale Project has suffered along with the rest. Splendid though its accomplishments may have been, it is now running about five years behind schedule. Wildlife habitat improvements during 1969 will consist largely of planning because there isn't the money to complete jobs already laid out. Other work will be similarly, though not so drastically, delayed.

And remember, the Vale Project is the show place of all the public lands of the West. It is the test plot on which the Bureau of Land Management hoped to demonstrate what might be done. What about the rest of the public domain? The situation is much worse. Millions of acres are continuing to deteriorate.

So what? Suppose the rains do wash the hillsides down to bedrock where nothing will ever grow? And the silt does go down the streams and fill the reservoirs? And the arid American West eventually does become a second Sahara? What difference will it make to the Michigan deer hunter?

Well, suppose the Mayflower had come ashore on a land that had no timber, no grass, no water, no minerals, and no fertile soil. What would America be now? The answer is obvious. Our rapid growth and great wealth came from the soil and, despite our industrial development, our foundations still rest on it. There is no technological development that could assure even a bare existence for America without fertile, productive soil. To permit the waste of even a single acre is worse than profligate; it is a crime against Americans to come.

Protection and restoration of the public domain is vital to the conservation of water, already in short supply. Properly managed, the grazing lands will

provide more beef, mutton, and wool than they have in the past—and do it indefinitely. This land of ours will provide a great deal more hunting, fishing, and other forms of outdoor recreation as new roads make more of it accessible and more people turn to it because of crowding elsewhere.

So from every aspect—from national economy to Sunday afternoon picnic—the preservation of our public lands is more than desirable; it is urgent. And who knows? Maybe the Michigan deer hunter will decide to fly or drive west and hunt on some of his land. It gets easier day by day.

Like the boy from Los Angeles, more and more sportsmen are turning to the public domain each year. Once they have driven for half a day without passing a single house or meeting another car, and have discovered the surprising abundance and variety of game in this land that at first glance seems destitute of life, and have smelled the smoke from a sagebrush campfire, and watched the stars snap out in the smog-free sky, they will learn to cherish the public land of the West as I do.

Then I think they will agree with me that what is good for the land is good for everybody.

Mr. CONLEY. What is good for the land is good for everything. People and livestock are also compatible through the application of wise management principles.

We ask that the proposals given in this statement be the course for the future. Sportsmen have an immense stake in the future of the public lands, as do all Americans, for these lands represent America's last great frontier of outdoor recreation.

Thank you.

Senator CHURCH. Thank you, Clare, for your statement. It seems to me that you have covered a very broad spectrum here. I am not aware of the practice that you say is developing in Wyoming and Colorado, that clubs are being organized and the public is being excluded from large tracts of public land which is intermingled with private land. That is the charge?

Mr. CONLEY. That is the charge. The problem is not that they are excluding them from the public lands per se, but that they are excluding them from access to the public lands. This is, again, the checker-board fee we talked about here; the railroad grants are checker-boarded, which we have not been able to deal with progressively ever since.

Senator CHURCH. I, for one, am interested in further documentation of that matter. I think that raises a very serious public policy question. Grazing privileges are one thing, but the use of such control as those privileges might give in conjunction with private holdings to exclude the public from public lands is a very serious matter. If we are to protect the public, this deserves the close attention of this committee, every bit as much as the grazing fees do.

Mr. CONLEY. Of course, every rancher has a right to charge for a person to cross his land. But to make it an exclusive lockout system, which is what our concern has been, is why we are concerned about these proprietary rights that are under such question here today. If given the rights legally, they will be even more so of a mind to lock out the public.

Senator CHURCH. I have no argument about the need to continue to make it perfectly clear as a matter of law that grazing permits are not a property interest, but rather a privilege. It seems to me, however, that another question is posed when it comes to determining what a fair grazing fee should be and what items of cost should go into the computation in determining that fee.

I think that is the policy question with which we are faced. But whatever the final determination of that question, I think we must make certain that the necessary precautions are taken to continue to make it plain that Congress, as a matter of law, does not intend to permit grazing permits to assume a property character of the kind that will tend to exclude the public when the public is entitled to access and use of the public land.

Mr. FROME. I think we would be very glad, if you would like, to submit a supplementary statement regarding this particular problem of access, and the details, the problem of the checkerboard and such solutions as we might be able to propose to the committee.

Senator CHURCH. That information would be very helpful to this subcommittee. We would like to have it.

Mr. FROME. There is one other point regarding the fees. If the stockmen are enabled or are capable of charging fees for recreational services on their land as a supplement to their income, I think that that would be a very healthy thing. It is a question of the relationship between the services they provide on their own land and the services which the Federal Government provides to the adjoining land, which is the fly in this particular ointment.

But certainly, if a stockman can provide a service like camping and the use of his facilities and the danger that he must run of damage to his land, I think he should be encouraged to charge a fee. It would be a further step toward creating a viable and enhancing a viable rule of conduct.

Mr. CONLEY. Senator, I think the big fear here is that in spite of what we may think today, we have no guarantee that a proprietary right is not being established if this thought of the value of the grazing permit comes to pass. I think we are opening the door here and most conservationists are afraid of opening that door, because they are not concerned about this moment right now, but the future where we are going with this public land is what the concern is. They do not want anything to happen that will threaten to take public land out of public use, multiple use.

The beauty of recreation, I might add, is that it does not create a product. We do not have to subsidize it or anything. Once the people are on the land and enjoying themselves, it is its own end product. So I do not think we should disregard recreation as a valuable use of this land.

Senator CHURCH. I understand the reason for your concern in this matter, and I think we must be careful to make the law clear with respect to the nature of the permit.

Senator Jordan?

Senator JORDAN. I pass, Mr. Chairman.

Senator CHURCH. Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

Since Wyoming has starred rather prominently in Mr. Conley's testimony, I would like to introduce in the record a rather comprehensive bulletin. Because of its length I will just ask to have it made a part of the record by reference. It is a bulletin produced by the University of Wyoming. Its name is "Big Game Harvest and Land Use in Wyoming."

I think it contains a number of facts that will be of use to all of you. I would like to take just a moment to quote from the summary and conclusions. It starts out by saying that private use of public lands for grazing and public use of private lands for recreation and for big game hunting are two aspects of rangeland use. I am sure none of us would take exception to that statement.

It says that the former aspect has received continuing scrutiny by both public officials and the general public. The latter aspect has been largely ignored.

This study goes on to subdivide the State of Wyoming into separate regions. It would be of interest to this committee to note that in the harvest of antelope, 78 percent of all the antelope harvested in Wyoming during the years 1959 to 1964, inclusive, were killed in the eastern section of Wyoming. This section represents about 40 percent of the total area of the State and is more than 70 percent in private ownership.

I think that a breakdown by the Game and Fish Commission of their records will disclose that an amazingly large share of the hunting has taken place and has been successful on privately owned lands.

I am sure that the references to ranchers that have been made are not typical of most of the ranchers in Wyoming.

I would also call attention to the fact that during this same period, about two-thirds of all of the deer harvested in Wyoming came from this same 40 percent area. The area which is more than 70 percent in private ownership.

Mr. Chairman, without objection, I ask that this be included by reference into the hearing record.

Senator CHURCH. Yes, it will be included by reference at this point in the hearings.

(The bulletin referred to will be found in the files of the subcommittee.)

Senator HANSEN. I have no further questions, thank you.

Senator CHURCH. Senator Hatfield?

Senator HATFIELD. I have no questions. I just want to say to Mr. Conley that I truly believe this is one of the finest magazines, not only in the sportsmen's world, but in the whole world of publication. I want to say that I consider my complimentary copy to be one of the fringe benefits of being a U.S. Senator.

Mr. CONLEY. Thank you.

Senator HATFIELD. May I enjoy the role of being proofreader here? I know you will understand.

On the last page of your statement, where you refer to the fine Vale project of Oregon, the spelling should be V-a-l-e. Would you mind if I do that?

Mr. CONLEY. I stand corrected. This was typed at the last minute and the typing was done in a hurry.

Senator HATFIELD. If you were to spell it V-a-i-l in Colorado, that would be all right, in Colorado.

Mr. CONLEY. I have spent many days in the Vale project, so I know better. That is a wonderful project down there. It is one of the most wholeheartedly supported, one of the finest supports for the development of land this way. I realize it takes a lot of money for the BLM to do things this way in a district, but if we ever find the money to do

things this way, it will be good for the stockmen because it will carry a lot more cattle, and good for the game men, because the range will carry a lot more birds and game.

Mr. FROME. I want to say I think it is wonderful to get the recreation factor built in here. I know you have two former Governors of States who were first-class tourist promoters in their States, and I think the tourism factor is one of the big factors in the development of this area. There is no question about your being correct on the value of the report from the university on the kill of game in your land. I think in terms of recreation economy and in terms of land use, the sooner we think of this whole picture together, the better off we shall all be.

Senator CHURCH. Thank you, gentlemen.

Mr. Tom Kimball of the National Wildlife Federation is next on the list.

Tom, you are accompanied, I see, by my good friend Franklin Jones of my home city of Boise, whom I am happy to greet and welcome to the hearing and also by Mr. Bill Winter of Arizona.

STATEMENT OF THOMAS KIMBALL, NATIONAL WILDLIFE FEDERATION, ACCOMPANIED BY BILL WINTER, ARIZONA; AND FRANKLIN JONES, IDAHO WILDLIFE FEDERATION AND THE ADA COUNTY FISH AND GAME LEAGUE

Mr. KIMBALL. Mr. Winter is director of the States of Arizona, Colorado, New Mexico, and Utah for our organization, and former president of the Arizona Wildlife Federation.

Senator CHURCH. Thank you very much, Tom. If you gentlemen would just sit down at the witness table.

Mr. KIMBALL. In the interest of the committee's time, Mr. Chairman, knowing that you are pressed for time, I would like to suggest that we submit our testimony as if read and perhaps capsule it, and then answer any questions that the committee may have.

Senator CHURCH. That would be greatly appreciated. If you will do that, we will now accept the testimony in its written form as though it were read and I shall open up the questioning.

Mr. KIMBALL. Mr. Chairman, I am Thomas L. Kimball, executive director of the National Wildlife Federation, which has national headquarters at 1412 16th Street NW., here in Washington, D.C.

The federation is a private organization which seeks to attain conservation goals through educational means. The federation has independent affiliates in 49 States. These affiliates, in turn, are made up of local groups and individuals who, when combined with associate members and other supporters of the National Wildlife Federation, number an estimated 21½ million persons.

We welcome the invitation to participate in these hearings.

Mr. Chairman, the National Wildlife Federation long has supported the principle of multiple use. We supported this concept when it was applied to national forests by act of the Congress a decade ago. We supported proposals which became the Multiple Use and Classification Acts when they first were advocated for application to the public domain, even if on a temporary basis until the Public Land Law Review Commission completes its work. We recognize that grazing is a legitimate use of public lands, along with watershed protection,

and production of water, timber, minerals, and wildlife. However, we do not think grazing should be the dominating influence and this is a major reason why we are accepting the invitation to appear here today to testify in support of the new, recently imposed fees.

A person adept with words once described the public domain as the national stepchild. Largely it is the residue of property left over after the best portions were homesteaded or given away in a variety of grants. These lands have been abused and plundered in a multitude of ways. They have been overgrazed badly, with erosion and lowered water production the inevitable results. They have been fenced in many places, to the detriment of public resources such as big game. In all too many instances, the public even has been barred by livestock permittees from reaching and using its own lands.

Low grazing fees have meant that Congress has not seen fit to appropriate adequate money for range rehabilitation, nor for enough employees to even enforce trespass regulations. This is the way the livestock people wanted it. They have worked adroitly to keep the public from viewing what goes on where they graze.

This is a major reason why conservationists want to break this stranglehold or near monopoly on lands which rightfully belong to all of the people. The time has come to support the sound decision of the Bureau of the Budget and the Departments of Agriculture and the Interior to require the payment of full value for public forage. These lands constitute great public assets and they must be managed correctly and efficiently by an adequate staff of competent professionals.

Significant issues are involved in the new grazing regulations. First, the public should get full market value for its forage and we are in accord with this principle. Second, the new fee structure goes into effect over a 10-year period, thereby giving relief to livestock operators but also recognizing that lands not needed for municipal or industrial purposes are to be retained in Federal ownership. We also agree with this procedure. Third, by denying claims of the livestock industry for capitalization costs, the Federal Government rejects efforts to magnify what now is a privilege into a vested right.

In our opinion, Mr. Chairman, the last point is of paramount importance. If the capitalization viewpoint prevails, the grazing permittees can claim prior rights over all other uses of the lands. In fact, they probably even would seek compensation from the Federal Government for a reduction in allotments, or for any interference whatever that conceivably might affect the production of livestock.

This capitalization claim is based upon a false premise. It is predicated upon a premium value which one livestock operator allegedly will pay another for the privilege of having the permit—a value which goes with the land. In reality this is a frank admission that a permit is a blue-ribbon bargain, a subsidy—one we believe that the Federal Government should gain rather than a favored few livestock operators. However, it is one in which the Federal Government has not benefited. It is remarkable how the livestock industry can have enough gall to claim this an "expense" against the cost of operation. However, it really isn't any more remarkable, perhaps, to claim this than to include "association fees" in the cost of operation when this expense is used to lobby against the rates themselves.

The capitalization claim calls for annual recognition of a 6-percent cost in perpetuity, even though an operator may not have ever made

any investment whatever in a permit value. This is based on a \$14.41 permit value or differential between the cost of a BLM permit and that for rental of private lands (the Forest Service differential is \$25). The utter fallacy of this approach is shown in the fact that a higher differential, also capitalized at 6 percent, actually could result in the Federal Government paying a permittee to graze on public lands.

Mr. Chairman, why should the Federal Government sell forage at prices ranging from three to 10 times less than that paid for private lands?

Frankly, I have wondered why the great majority of livestock producers do not complain about this unfair competition from the operators who have subsidized grazing privileges. The only answer appears to be found in the fact that forage produced in these Federal lands (both BLM and Forest Service) constitute such an insignificant part (1.5 percent) of all cattle and sheep feed consumed in the 48 contiguous States.

The livestock industry also has been highly vocal in its allegations of damages which the operators would suffer. However, figures show that the fee increase will have no effect on more than one-quarter of the operators for 6 years. These now pay the minimum fee of \$10. In reality, the livestockmen are trying to protect principally the 11.4 percent of the BLM permittees who get 74 percent of the forage.

If the subcommittee will investigate, an interesting "can of worms" stands ready to be uncovered. Mr. Robert C. Lynam, of Miles City, Mont., is a member of a BLM district advisory board. A respected expert on the role and impact of public lands on ranch, community, and county economies, Mr. Lynam tells of widespread subleasing, with profits realized by persons who never owned a head of livestock. Permission is requested, Mr. Chairman, to have Mr. Lynam's complete statement inserted in the record at the end of our remarks. Other information shows that permittees are professional or business people not dependent upon ranching for anything but, possibly, a "tax dodge."

I should like to make one final observation in conclusion, Mr. Chairman. We have been disappointed that the public cannot benefit from these bargain-basement grazing leases in at least one way. We have asked, to no avail, that the permittees be required to grant access through their property to public lands as a part of the permit. Many of these permittees are charging high fees from the public for the mere privilege of going through their lands to hunt on Federal property and we do not think that this is a fair or reasonable treatment of taxpayers.

In summary, Mr. Chairman, we commend the subcommittee for scheduling this hearing. It has aired many aspects of a controversy. However, we recommend that the subcommittee take no action to overturn the executive branch directive.

Again, we thank you for the opportunity of making these remarks.
Senator CHURCH. Thank you

Mr. KIMBALL. Mr. Chairman, might I suggest that we hear from our out-of-State visitors first, since I get the opportunity quite frequently to appear before the subcommittee. In the interest of time, as well, we would like to call on Mr. Winter first and then Mr. Jones, if that is permissible.

Senator CHURCH. That will be fine.

Mr. Winter?

Mr. WINTER. Mr. Chairman, I would just summarize this, I, of course, appreciate the opportunity to appear here today. The written statement which you have summarized the position adopted by the Arizona Wildlife Federation in June of 1968 and January of this year. In addition to the statements of the Arizona Wildlife Federation, I have included information regarding the position of the Arizona Game and Fish Commission pertaining to vested interest in public lands, several editorials which have appeared in the Arizona Republic and the Phoenix Gazette, which show that our position is not alone in the State of Arizona, and as a director, I was also asked by Wyoming, Oregon, and Montana wildlife federations to submit position statements to them, and that material has also been attached to my statement.

That is a brief summary.

Senator CHURCH. Your statement will be inserted in the record as if read.

Mr. WINTER. Mr. Chairman, I am N. A. Winter, Jr., Phoenix, Ariz. I have been a member of the executive board of the Arizona Wildlife Federation for the past 4 years and served that organization as its president in 1966 and 1967. I am currently a member of the board of directors of the National Wildlife Federation.

The Arizona Wildlife Federation is a statewide, nonprofit association of men and women interested in conserving Arizona's wildlife and other natural resources through the wise use and management of those resources. Organized in 1923, the federation currently has over 4,000 dues-paying members throughout the State. Its offices are located at 840 North Central Avenue, Phoenix, and it is the Arizona State affiliate of the National Wildlife Federation.

We welcome the opportunity to appear here today.

The subject of grazing fees, the capitalization of grazing permits, and the possible effect of these issues on the proper management of national forest and BLM lands has been reviewed at numerous meetings of the Arizona Federation. The attached statement, adopted June 22, 1968, fully supports the increased grazing fees and opposes the capitalization of the grazing permits.

At its 46th annual State convention, held January 17, 18, and 19, 1969, in Springerville, the federation adopted an additional resolution opposing the capitalization of the grazing permits and requesting that a larger portion of the grazing fee be returned to the resource management to be used for wildlife habitat and range improvement on public lands. A copy of this resolution, No. 19, is attached.

To the Arizona Wildlife Federation, the crux of this issue is whether the public will receive adequate remuneration for the private use of a public resource. We feel the USDA study fully justifies the new fees. We would also hope that these increased fees would help make possible more adequate appropriations for the U.S. Forest Service and the Bureau of Land Management so that more funds can be allotted for much needed range and wildlife habitat improvement to the benefit of ranchers and the public alike.

The livestock industry has requested that 6 percent of the capitalized value of the grazing permit be considered as an operating cost and

be deducted from the grazing fee. This would, we feel, be detrimental to the public interest in three ways:

(1) It would drastically reduce justified revenue from a valuable public resource. Revenue which the public has every right to expect to receive for the use of this resource.

(2) It could prevent the long overdue improvement of these resources by limiting the possibility of increasing funds available for range and habitat management.

(3) It would give the livestock users a vested property right in Federal lands to the detriment of all other users of these lands.

The Arizona Wildlife Federation is not alone in Arizona in its support of the increased fees and opposition to the capitalization of permits. The attached editorials from the Arizona Republic, December 5, 1968; the Phoenix Gazette, December 5, 1968; and the Phoenix Gazette, January 24, 1969, indicate that Arizona's two largest daily newspapers support our position.

In addition, the Arizona Game and Fish Commission has officially opposed the capitalization of grazing permits in letters to the Secretary of the Interior and the Secretary of Agriculture. A copy of this letter, dated December 26, 1968, is attached.

In summary, Mr. Chairman, the Arizona Wildlife Federation urges that the grazing fee increases receive favorable endorsement by Congress and that the capitalization proposal be rejected.

As a director of the National Wildlife Federation I have been asked by several other Western State affiliates to present their positions on this issue in the interest of saving time for this committee. Accordingly, I have enclosed the following: (1) Copies of letters from the Wyoming Wildlife Federation to the Secretary of the Interior and the Secretary of Agriculture supporting the increased fee; (2) a copy of Resolution 4, adopted by the Oregon Wildlife Federation at its annual convention, January 19, 1969, supporting the increased fees; and (3) a copy of a position statement adopted by the Montana Wildlife Federation December 15, 1968, supporting the grazing fee increase and opposing the capitalization of permit values.

In addition, I have been advised by Dr. Richard Van Driel, president of the Washington State Sportsmen's Council that the delegate body of that organization, at its December quarterly meeting, adopted, "without dissenting," a motion favoring the proposed rate changes as published in the Federal Register.

I respectfully request that all of the attached material, referred to in this statement, be made a part of the official record of this hearing.

Thank you, again, for giving us the opportunity to present our views.

(The material referred to follows:)

ARIZONA GAME & FISH DEPARTMENT.
Phoenix, Ariz., December 26, 1968.

HON. ORVILLE FREEMAN,
Secretary of Agriculture,
HON. STEWART L. UDALL,
Secretary of the Interior,
Washington, D.C.

DEAR MR. SECRETARY: On behalf of the Arizona Game and Fish Commission and the Arizona Game and Fish Department I would like to enter for the record our position on the grazing fee adjustment recently proposed for public lands under management of the Department of the Interior and Department of Agriculture.

While we do not wish to comment on the adequacy or inadequacy of the proposed grazing fee adjustment per se, it is incumbent upon us to clearly state our opposition to any adjustments in the established fees or methods of managing them which would allow a user group any claim of vested interest in the public lands.

We are wholeheartedly in support of the multiple use concept of management on our public lands, and feel strongly that this concept and equality for each of the resource users can best be maintained and safeguarded by unquestionable public ownership of these lands. We feel that tacit or overt recognition of an individual's vested interest in these lands by the Department of Agriculture or the Department of the Interior for any single user group would cloud and make questionable the public's right to own and make use of the public lands, and infringe on the right of the public through the able administration of the appropriate federal agencies to manage the lands as they should be—a national public resource.

Sincerely,

ROBERT A. JANTZER, *Director.*

WYOMING WILDLIFE FEDERATION,
Casper, Wyo., November 29, 1968.

HON. STEWART L. UDALL,
*Secretary, U.S. Department of the Interior,
Washington, D.C.*

DEAR MR. UDALL: This is in reference to the notice in the Federal Register with regard to changes in the Grazing Regulations for Public Lands.

Please be advised that the Wyoming Wildlife Federation is in complete agreement with these proposed changes and urges support from interested parties.

Yours respectfully,

GUY H. WILLIAMS,
President.

WYOMING WILDLIFE FEDERATION,
Casper, Wyo., November 29, 1968.

HON. ORVILLE L. FREEMAN,
*Secretary, U.S. Department of Agriculture,
Washington, D.C.*

DEAR MR. FREEMAN: This is in reference to the notice in the Federal Register with regard to changes in the Grazing Regulations for Public Lands.

Please be advised that the Wyoming Wildlife Federation is in complete agreement with these proposed changes and urges support from interested parties.

Yours respectfully,

GUY H. WILLIAMS,
President.

POSITION OF THE MONTANA WILDLIFE
FEDERATION ON THE PROPOSED GRAZING INCREASE FOR PUBLIC LANDS

(Adopted Dec. 15, 1968)

The Montana Wildlife Federation reiterates its position that the return from the sale of public land resources, whether they be coal, oil and gas, timber, minerals, or forage, should be based upon the concept of fair market value. The Federation also believes that the public lands truly belong to the people of the United States, and that they should be managed under the principles of multiple use to best serve all of these people. The Federation believes also that a vital part of such a policy is the requirement that no user shall be able to gain or claim a greater title than any other in the public lands. At the same time, it recognizes that an increase of payments in lieu of taxes is essential to those areas with concentrations of public lands.

In consonance with the principles stated above, the Montana Wildlife Federation concludes and recommends as follows in regard to the proposal of the Secretaries of Agriculture and Interior to increase the fee for grazing upon the public lands, and to establish fair market value as the criterion for establishing such a fee:

1. The need for a grazing fee increase is recognized.
2. The Federation is not concerned per se with the specific amount of the proposed fee increase, except to the extent that it leads to a fair market value return for public land resources.
3. The tying of the grazing fee formula for public lands to the average price of forage on private lands in the eleven Western states is a sound and valid approach to achieving fair market value.
4. Recognition of permit value is prohibited by Section 3 of the Taylor Grazing Act, and recognition of such a value, if it exists, is not only contrary to law, but would amount to acknowledgement of an ownership or "right" of one segment of the population transcending that of others, over and above the privilege to graze domestic livestock. The idea or concept of "permit value" therefore must be rejected if public lands are truly to remain public.
5. The percentage of the public land grazing fee returned to the states in lieu of taxes should be standardized for all classes of public land, and should be increased so as to provide badly needed additional support for public roads, schools, and other public services in those areas where concentrations of public lands exist. The one-third portion of the total fee going to range improvements should be continued; of the remaining two-third portion, 50 percent should be returned to the states in lieu of taxes.

OREGON WILDLIFE FEDERATION RESOLUTION NO. 4 ON GRAZING FEE INCREASE

(Adopted January 19, 1969)

Whereas the public lands under federal control exceed 51% of Oregon's land mass, and encompass most of our hunting, fishing, and recreational potential, and Whereas the management of these lands and their recourses are of great concern to sportsmen and conservationists everywhere, and

Whereas as a result of a two-year study of public lands grazing fees, the Departments of Agriculture and Interior have announced an increase in the fee structure for grazing leases, these increases to be graduated upwards for the next decade,

Now therefore be it resolved that the Oregon Wildlife Federation in convention assembled in Corvallis, Oregon, on this 19th day of January 1969, wholeheartedly support the U.S. Forest Service and the Bureau of Land Management in their program to upgrade the grazing fees for the rental of our public lands as a privilege of the leasees, and

Be it further resolved that copies of this resolution be forwarded to the Congressional Delegations of Oregon, Washington, and Idaho; National Wildlife Federation; Izaak Walton League of America, Oregon Division; the Department of Agriculture (State and National); the Department of Interior (State and National); the Washington State Sportsmen's Council; Idaho Wildlife Federation; Pacific Northwest Conservation Council; and Governor Tom McCall of Oregon.

[From the Arizona Republic, Dec. 5, 1968]

GRAZING FEES

With beef prices as high as they are, the general assumption is that the cattlemen are making a fortune.

But the general assumption is wrong; the cattlemen are caught in a price squeeze that has resulted in their own profits falling even while meat prices are rising.

So we can understand the opposition among ranchers to the proposal to raise grazing fees on public lands. Nevertheless, we believe the opposition is misplaced, for the following reasons:

At present, the rate for grazing cows on private land is \$1.82 per cow per month. The rate on land in public domain (some 13 million acres in Arizona) is 33 cents, on national forest land (some 11 million acres) is 55 cents—both way below the going rate.

As Republic Outdoor Editor Ben Avery recently pointed out, the Interior and Agriculture Departments, following recommendations of a two-year, \$1 million

study, have proposed regulations to boost fees nine cents per animal per month for cows each year in 10 years.

Over a 10-year period, for example, fees for grazing on lands in the public domain would rise from 33 cents per cow per month to \$1.23—a large jump, to be sure, but still far below the rate for grazing cows on private land.

We agree that the rate should be below that of private land, inasmuch as public lands are used by miners, hunters, fishermen, hikers, campers, irrigation districts, and city watershed management. And the proposed regulations take that into consideration.

Originally the cattlemen agreed to accept the recommendation of the study (conducted by the Economic Research Service). Now they hope to hold off until the Public Land Law Review Commission makes its report.

We can understand why, since the commission is widely felt to be much more sympathetic to the ranchers' position. Yet we believe that the public interest will be best served by following the recommendations of the Economic Research Service . . . or something close in line with those recommendations.

The cattle industry plays an important part in both the economy and heritage of Arizona, and we have every wish to see it prosper. But equity, it seems to us, is on the side of boosting the present grazing fees to bring them more in line with reality.

[From the Phoenix Gazette, Jan. 24, 1969]

STEIGER'S OTHER CONSTITUENTS

Rep. Sam Steiger of Arizona's 3rd Congressional District is naturally concerned for the welfare of the cattlemen in his district who graze their cattle on public lands. He quite properly wants to speak for their legitimate interests in Congress.

Steiger has other constituents who also have legitimate interests. These others vastly outnumber the cattlemen. One of the interests they share with the cattlemen is ownership of the public lands. Person for person, cattleman and non-cattleman have absolutely the same rights to the use of these lands. If one makes special use of the lands, it is proper that he should pay into a common pot—that is, to the government—a special fee for such use.

Cattlemen do just this for grazing privileges, oil companies for drilling rights, lumbermen for timber harvesting, miners for mining. But in all cases where these special privileges are granted, the least possible interference is provided with the still existing proprietary rights of the ordinary citizen—the hunter, fisherman, camper, picnicker, hiker or just plain onlooker.

Rep. Steiger has been complaining in Congress that a recent increase in grazing fees charged cattlemen is unfair. Actually the fees were increased after a two-year study, costing \$1 million, revealed that public land grazing fees formerly were far lower than grazing fees paid for comparable, privately owned land.

If the argument were only about size of the fee, the question would be one of simple equity. But the cattlemen have mounted a counteroffensive and are proposing a formula of their own. They want the government to capitalize their "permit value" at 6 per cent a year and deduct this from the grazing fee. Thus if a rancher computed the value of his grazing permit for his own bookkeeping or for the purpose of selling his operation to someone else at \$14.50 per animal (the average) and deducted 6 per cent from the \$1.23 fee which has been held to be fair market value, he would pay only 47 cents. If his permit value got up to \$22.17—and in some cases it is higher—he would graze his cattle scot-free on public land.

It is sharp figuring, and unfair, but the worst is that if the scheme succeeded, the government would have done something it has never before done and should never do. It would have recognized an actual private part-ownership, with a specific monetary value, in public lands—and that without compensation of any kind.

If this is what Rep. Steiger has in mind, we hope he gives the matter a long second thought—and remembers that what he seeks to give the cattlemen must come out of the interests of everyone else.

STATEMENT ADOPTED BY THE ARIZONA WILDLIFE FEDERATION EXECUTIVE BOARD,
JUNE 22, 1968

The Arizona Wildlife Federation believes that increased grazing fees are mandatory if the public is to realize an equitable return for the use of public lands.

The Arizona Wildlife Federation proposes that the fees for grazing livestock on public lands be raised to an amount comparable to the fees charged for livestock grazing on private lands.

The Arizona Wildlife Federation opposes efforts to allow grazing permits to be capitalized at six percent annually. This could only lead to further inflated payments when grazing permits are sold on the private market. The capitalization plan, in effect, would amount to public subsidization of a private party's use of a public resource. This is an undesirable trend with a precedent that could result in providing grazing on public domain lands at no cost to private interests.

RESOLUTION NO. 19 OF THE ARIZONA WILDLIFE FEDERATION

CAPITALIZATION OF GRAZING PERMITS

Whereas, livestock interests have proposed and will continue to propose capitalization of grazing permits on public lands to establish a right or possessory interest in their use of national forests or public lands for grazing purposes; and

Whereas, grazing interests on public lands are considered to be a privilege with no right of ownership attached; and

Whereas, a need for additional range improvement is evident;

Now therefore, be it resolved that the Arizona Wildlife Federation in convention assembled opposes capitalization of the grazing permit or any other concession or recognition of grazing interests which would tend to establish individual possessory interest or right to grazing on national forests or public lands; and

Be it further resolved that the Arizona Wildlife Federation urge our Congressional delegation to propose legislation that a larger portion of the public land grazing fees be returned to the resource management agencies to be used for wildlife habitat and range improvements on the public lands.

Adopted at the 46th annual state convention, January 19, 1969, Springerville, Arizona.

[From the Phoenix Gazette, Dec. 5, 1968]

FEES, YES ; PROPRIETORSHIP, NO

Every Arizonian who loves the outdoors has an inherent interest in a dialogue now going on between cattlemen on one hand and the U.S. secretaries of interior and agriculture on the other. On the outcome may depend the extent to which the public can enjoy public lands in western states.

The discussion grew out of a two-year, \$1 million study by the Economic Research Service of the U.S. Department of Agriculture relating in part to fees paid by cattlemen to let their stock graze on the public lands. The fee is now 33 cents a month for each cow, compared to the going rate of \$1.82 a month on privately owned land. The ERS study resulted in a recommendation to raise the public land fee by 9 cents every year for 10 years to reach a final charge of \$1.23 per cow per month.

We are not concerned here with the amount of the proposed increase, other than to say that (1) some increase certainly is called for and (2) a considerable differential between fees on private land and the public lands fees is justified because the cattleman exercises much more control over the privately leased land than he does or ought to exercise on public lands.

The public lands truly belong to all of the people, and under what is called the multiple use theory are managed to serve all of them. A vital part of such a policy is the requirement that none shall be able to claim a greater title than any other in those lands. This is the concept that is now threatened.

Cattlemen, protesting the proposed fee increases, have mounted a campaign to have 6 per cent of the "value" of a grazing lease figured into their operating costs and used as a basis for setting the fees. The value is what one rancher is willing to pay another to relinquish his permit on a certain area so that the first may take it up. For agencies of the government to recognize such values officially

would amount to recognizing that the rancher has purchased a kind of ownership of the land and has rights to it transcending those of other people, above and beyond the right to graze cows there.

The idea should be rejected; public land must remain public.

Senator CHURCH. Thank you very much, Mr. Winter.

Mr. Jones?

Mr. JONES. Mr. Chairman, members of the committee, I am Franklin Jones, a native of Idaho, and for the past 32 years I have been in business in Boise, Idaho. I have a statement here which I would like to have put into the record, if you will.

Senator CHURCH. We shall be happy to put the full statement in the record.

Mr. JONES. Thank you.

Attached to my statement, Senator, is an abstract of the article, "Outputs" that was prepared and presented by Bruce Bowler, at the American Society of Range Management, which contains some material on this subject. I had intended to bring some credentials which show I have had some experience in the raising of cattle and sheep in the form of blue ribbons and a grand prize winner, but it evidently got lost in the luggage some place so that I am not able to show that, so that keepsake was missing.

The federation which I represent and happen to be the vice president of, represents the majority of organized sportsmen in the State of Idaho, and for lack of a multitude of organized State groups with special recreation interests, the federation, in addition to being interested in fur, fish, and fowl, also assumes a variety of responsibilities such as dredge mining, water pollution, hydroelectric developments, wilderness areas, and so forth. We are particularly interested in what happens to our public lands, whether they be administered by the U.S. Forest Service or the Bureau of Land Management.

We want you to know that the Idaho Wildlife Federation fully agrees with and supports the proposed grazing fee increases as jointly proposed by the Departments of Agriculture and Interior on November 16, 1968.

We in Idaho have watched for years the results of livestock grazing on the public lands, the alarming deterioration of watersheds, the abuses to vegetative communities, and the overall domination of the public lands by only a minority of the State's residents. Of the State's approximately 700,000 people, probably less than 5,000 have these grazing rights on the public lands.

If I might have your indulgence for a moment, I would like to explain what I mean by this. It is customary in the spring of the year for Ted Trueblood and Bruce Bowler and myself to go on a May day fishing trip. We found a little isolated spot on the Snake River where there was a spring with watercress and a very lovely spot to have camp. So we go to this place to enjoy our outdoor experience.

A nice-looking sheep dog showed up one day and he sat outside the camp, and pretty soon he came a little closer and we fed him a few things. The next thing I know, he was up sitting next to me, and he placed his paw upon my arm.

Now, I thought this was a friendly gesture until, when I wasn't looking, he had his paw in my plate and snatched my fish. We are concerned in Idaho about what is going to happen with our public lands, and we

do not want any friendly gestures that are going to sneak up on us and let these lands get out of the public interest.

We are also aware of the vast amount of public funds that have been spent to accommodate these livestock interests. Probably over 2 million acres have been sprayed or plowed to produce grass for cows. Many of these acres formerly provided good wildlife habitat for deer, antelope, sage grouse, quail, song birds, et cetera, but from a wildlife standpoint the habitat has been adversely affected and some areas are now biological deserts.

How many miles of plastic pipeline have been installed to carry water to cows? These projects have often dried up artesian spring areas to provide water for cows, and at what cost?

This little isolated area that I spoke of, we no longer go to, because somebody camped his horses right in the spring while they were using it for cattle and sheep. I do not know whether it was sheep or cattle, but it was so abused.

Public funds have also been spent for fence construction needed by livestock interests. Many of these fences have stopped antelope migrations and deer frequently become entangled in them. And many times these fences have provided a place for hanging "No Trespassing" signs.

On this point, may I call your attention to the fact that as I boarded the plane to come to this hearing, an executive of the Boise Cascades sat next to me and we were visiting about hunting in the open area. He explained that last fall, when he took his boys out and wanted to teach them how to be good citizens and good sportsmen, he came to these areas and he could not tell which was the private land and which was the public land, because they both were posted.

He did not want to teach his boys to disregard the law, so he had to give up the area and go some place else.

We feel that there is an imposition here and an injustice that the public is not rightfully informed where they may enter on public lands.

We have also seen vast amounts of public funds expended on predator control to help accommodate these cows and sheep on our public lands. Until some reasonable controls were initiated several years ago, it was hardly safe to take your dogs and children out on the public domain lands. We still wonder if it is really safe.

I would like to tell you that during the week prior to coming here, I was advised that within 2½ miles of the State capital, there was a poison post and there were some animals killed as a result of it. By this time, I am sure it has been removed.

All of this for 33 cents an AUM. And the livestock people additionally want (1) assurance of tenure or recognition of legalized grazing rights, and (2) a further reduction of fees in proportion to what it costs them to acquire these rights or what they would be worth on the market. We can believe they are saying this, but we cannot believe the reasons they are giving. And we cannot believe their statements that they are not getting a subsidy.

One of the things that has disturbed us greatly in the area is the fact that cattle ranching has another aspect for some of the big money boys. There are areas over in our country where thousands of acres have been bought up by a single corporation or a single individual who wants some place to put his money and he does not really care whether

he is making a profit or not, and the promoters are wise to this and it is becoming a promotional proposition.

I have in my possession the map of such an area. If you would care to follow and turn to page 6 of the attached sheets, I would like to read the words of Bruce Bowler. He says:

There are 200 million people in the United States that own these 300 million acres of land. The test for direction needs to be what use of these lands is best for the people who own it. The administrative agencies are the trustees for the beneficiaries of the trust, and their benefits must be the lode star of the efforts.

All 200 million people have an interest in what is done present and future about the output from the lands. It is not at all unreasonable to say that these lands have a present worth value of a dollar per year to the owners. It would then be worth 200 million dollars per year for our people to have this value either interpreted on a "have" basis, or a "have-not" basis if it was taken from them.

I am sure the dollar per year is very conservative. Ask yourself the questions, would I pay a dollar for retention and good husbandry of my interest in these 300 million acres? And if I lose it to private utilization have I lost a dollar per year? The answers are easy, aren't they? Even though the great majority of these people may never be able to directly visit or be upon their lands, (annual visits on BLM lands now exceed 50 million) it cannot be said they don't have real value to them, and their loss would damage them.

The availability of these lands for peoples' use in a quality status is where the values lie. When projecting the money values we find on a 10-year projection the values to the people to be two billion dollars, on a 20-year basis four billion, on a 40 year basis eight billion, and on an 80 year basis, just one generation, 16 billion dollars, and these allow nothing for normal increment of population increase of values and earnings on the investment. With good range management all values will increase. This output I submit is far greater than the public benefits that accrue from local economies from livestock grazing, and only two percent of the nation's livestock products needs are met from public lands grazed animals.

I think I shall close with this statement.

(The complete prepared statement of Mr. Jones, above referred to, follows:)

PREPARED STATEMENT OF FRANKLIN JONES, BOISE, IDAHO

Mr. Chairman and members of the committee. I am Franklin Jones, a native of Idaho, and for the past 32 years have been in business in Boise, Idaho. All through my childhood I worked on our farm in Rupert and later helped my father raise sheep. I have "licked lambs" by the light of a kerosene lantern, docked them, herded them, and skinned them. These tokens are part of my family keepsakes.

In the early 1930s I conducted feeding experiments for the University of Wyoming on range lambs and baby beef. The records show that during this time we produced the highest rate of weight increase per day of any experimental program. I mention this not to wax wise or pat myself on the back, but merely to let you gentlemen (and ladies) know there is a knowledgeable background in the subject at hand.

I present myself at this hearing not to defend the cattle and sheep industry, but to represent a higher cause—people. Today I would like to talk to you in behalf of the organized sportsmen in the State of Idaho.

The Idaho Wildlife Federation, of which I have the honor of being vice-president, reports the majority of organized sportsmen in the State of Idaho. For the lack of a multitude of organized state groups with specialized recreational interests, the Federation, in addition to being interested in fur, fish and fowl, also assumes a variety of responsibilities—dredge mining, water pollution, hydro-electric developments, wilderness areas, etc. We are particularly interested in what happens to our public lands—be they administered by the U.S. Forest Service or the Bureau of Land Management.

We want you to know that the Idaho Wildlife Federation fully agrees with and supports the proposed grazing fee increases as jointly proposed by the Departments of Agriculture and Interior on November 16, 1968.

We in Idaho have watched for years the results of livestock grazing on the public lands—the alarming deterioration of watersheds, the abuses to vegetative communities and the overall domination of the public lands by only a minority

of State's residents. Of the State's approximately 700,000 people probably less than 5,000 have these grazing "rights" on the public lands.

We are also aware of the vast amount of public funds that have been spent to accommodate these livestock interests. Probably over two million acres have been sprayed or plowed to produce grass for cows. Many of these acres formerly provided good wildlife habitat for deer, antelope, sage grouse, quail, song birds, etc., but from a wildlife standpoint the habitat has been adversely affected and some areas are now biological deserts.

How many miles of plastic pipeline have been installed to carry water to cows? These projects have often dried up artesian spring areas to provide water for cows and at what cost?

Public funds have also been spent for fence construction needed by livestock interests. Many of these fences have stopped antelope migrations and deer frequently become entangled in them. And many times these fences have provided a place for hanging "No Trespassing" signs.

We would also like to comment on the complicated involvements resulting from "contributed funds". One of the many things we hear livestock men say is "we pay part of the cost of these improvements." Yes, they do—as eagerly as they can. By doing so, they acquire a vested interest—or right—in their allotment. Because they provide contributed funds toward the development (for livestock) no one else can be moved in with them to participate in the advantages of the increased forage and facilities. We know of one allotment here in Idaho where one user who was entitled to a privilege of only 100 AUM's now has about 4,500 AUM's of forage and more that could be developed. But even when adjacent range was burned about three years ago, the affected people could not be moved into this allotment having surplus forage, because the allottee had contributed funds for the removing of brush, seeding, fencing and provision of water. This is a common situation, not an exception.

We have also seen vast amounts of public funds expended on predator control to help accommodate these cows and sheep on our public lands. Until some reasonable controls were initiated several years ago, it was hardly safe to take your dogs and children out on the public domain lands. We still wonder if it is really safe.

All of this for 33¢ an AUM! And the livestock people additionally want (1) assurance of tenure or recognition of legalized grazing rights, and (2) a further reduction of fees in proportion to what it costs them to acquire these rights or what they would be worth on the market. We can believe they are saying this, but we cannot believe the reasons they are giving. And we cannot believe their statements that they are not getting a subsidy. The livestock men say they cannot afford a grazing fee increase because of their ever-increasing costs of operation. We partially agree with this as the price they were receiving for beef in 1968 was about equal to that received in 1948. I would hate to be in this kind of a business. But, the grazing fees are not responsible for this situation. The grazing fees represent less than four percent of their operating cost. Their problem is in marketing and middleman profits, not in grazing fees.

By not increasing grazing fees we are only encouraging the livestock men being interested in quantity of animals rather than quality. If they were made to pay a reasonable fee for their livestock forage, they would want to be assured of forage value and quality that would provide a return on their investment.

We recognize that livestock use of *our* public lands has a proper place in good range management, and we recognize that livestock use can and should continue in the multiple use framework, but the tail has been wagging the dog too long. These public lands have public values for 200 million people now living in the United States and many millions more to come. These public values can no longer be compromised by the philosophy of getting the last ounce of fat on a steer from the last blade of grass—and at a price that is so inequitable that it can only be described as private benefit from use of publicly-owned resources.

Some of our Federation members are knowledgeable regarding private grazing fees. On some native ranges in Idaho grazing fees are as high as \$3.50 per AUM—none less than \$1.25 per AUM and the livestock men are glad to pay these rates. Only 2% of the Nation's livestock products are provided by animals grazed on public lands. How do the producers of the other 98% of the Nation's livestock products feel about the unfair competition provided by the low grazing fees on public lands at present and for which you are now being petitioned to continue in perpetuity. Are these producers of the 2% rightfully entitled to some special privilege? If so, we ask why?

Again we say, the Idaho Wildlife Federation fully agrees with and endorses the proposed grazing fee increases as published on November 16, 1968. If we have any complaints, they are that (1) it should have been done fifteen years ago, (2) they should be higher and (3) they should go all the way at once.

OUTPUTS

(Presented by Bruce Bowler, Boise, Idaho, to the 1969 annual meeting, American Society of Range Management.)

The land and its moisture, two basic elements of our environment, are absolutely essential if good life is to continue sustainment.

All civilizations have commenced in a pioneer framework when the substances of environment appeared inexhaustible. Mankind looked upon natural things as his antagonist, something to be conquered, to be done over in his own image. Modify and change the face of the earth were the objectives, within the idea that man was bigger and different from nature and not merely a part of it, but in fact he really is just a part of nature.

However it must be conceded that modern man does have tremendous capabilities for now changing the world's environments, far greater than any time before in history.

This is why today's responsibility is so much higher than ever before to properly husband the environment and not destroy it. If mankind is to survive responsible management must occur, and he can't survive with any degree of cultural quality if he views the species of homo sapiens to have all the priorities for occupation of this world.

Although homo sapiens is the singularly dominant species with the superior mentality for technical advancement he still remains only part of the ecology, and the sad part he has not often enough recognized his best values in the scheme of things to produce better world for people to live, even though he has the native intelligence to do so.

The big problem is how to now get into context proper sense of values of environment for people, and particularly as concerns our lands and waters

As range managers this places you in positions of high responsibility. Although the public lands play a big part in this responsibility they are not the whole picture and particularly as concerns the watershed structures that contain much private lands in total ecologies.

However the rights of ownership of lands, public or private, do not carry legal or moral rights to destroy them. The lands are too basic to civilization to allow the rights of ownership to include their destruction from viable productivity.

Relativity of values will likely always be a question and must be recognized as flexible. And change is inevitable. The important thing is to yield to change wisely and before it becomes too late or too expensive to do what is best.

I think such change is where we now find much in modern range management. Many of the old values are outmoded, and most of this stems from the old range doctrine that its highest duty is for grazing livestock, particularly as to the public lands. "Spirit of the range" as so pertinently described by your Honorable Lieutenant-Governor of Alberta, J. W. Grant MacEwan, in addressing the annual banquet, now has new and broader horizons, and many more people have and enjoy this spirit that formerly would be more indigenous to the cowboys.

Fortunately there is still on this continent substantial acreage of publicly owned lands, which gives opportunity for new trends in long term wise social development that will distinguish us from older civilizations that have practically destroyed their foundational environment from overgrazing by livestock. This trend should and will be marked by retention of these lands in public ownership under proper management for the best values for the many, with the individual utilization being limited to systems that produce the greater public good.

As so fortunately and forcefully stated in the United States Supreme Court landmark case of *Udall v. Federal Power Commission*, 1967, 18 Law Edition 2d 869, that the test for legal use of natural public assets is whether it is in the "public interest," and the test is not private benefit from use of the public resources. Exploration of all issues relevant to the public interest must be made including recreational purposes and protection of wildlife. This case is now United States law for guidance in future public lands and water policies.

If quality civilization is to survive this trend must be the thrust, as opposed to the idea that all or most lands should eventually end up on the tax rolls of local community.

Some values are esthetics, something that does not have a price per pound placed upon it. Nevertheless high values result from the unspoiled beauties of the natural landscape. Qualities that flow from ungrazed lands are great. This is where you can find answer to the question posed in the Grazing Systems section of "how do you use it without losing it." Quality esthetic real estate never depreciates in value even though you use it constantly for its beauty purposes, you can keep selling your inventory and still always have it.

Since we are races of people all values have to be interpreted in terms of what people think they are worth. What they are willing to pay or receive in dollars *to have, or not to have*, what is in issue. And believe you, times have "been a changin'" in the concepts of world. And getting the last ounce of fat on a steer from the last blade of grass from the range is not the direction of the winds' change.

The change is in the direction of quality experience of people in consorting with their lands. Their desire for exposure to open space and outdoor recreation where the air is clean, and the sun is bright. Where they can see ahead and get perspective of themselves. Even though they can only experience it infrequently, or not at all, they want to know it is there for them. This is like money in the bank for their needed understanding, as contrasted with their fear that their age of civilization failed to conserve this good which future generations will need.

Peoples frustrations over permissive destruction of environment by the exploiting uses for private gain is real psychological syndrome contributing to the hang up in so much of today's social disorder. Herein lies great opportunity for productive output to make people more comfortable with their era; to take the profits out selfish use of public assets to their degradation for the public interest.

But on this matter of values in terms of money, let us examine some evidence. If we take some of the cold, hard unemotional facts as established by the statistics a great case can be made for the good husbandry of land showing substantial output.

Since range management normally involves livestock and particularly in the west my figures will be taken for western public lands. (U.S. Department of Interior Public Land Statistics 1967)

The Bureau of Land Management has jurisdiction over 172 million acres in the eleven western states, and the Forest Service 136 million acres for a total of 308 million acres in the two principal agencies that have most of the range management problems involving grazing as a principal use. As reflected by range management studies much of these lands particularly in BLM are at the cross roads. Whence is the direction to take and how can it be justified?

There are 200 million people in the United States that own these 300 million acres of land. *The test for direction needs to be what use of these lands is best for the people who own it.* The administrative agencies are the trustees for the beneficiaries of the trust, and their benefits must be the lode star of the efforts.

All 200 million people have an interest in what is done present and future about the output from the lands. It is not at all unreasonable to say that these lands have a present worth value of a dollar per year to the owners. It would then be worth 200 million dollars per year for our people to have this value either interpreted on a *have basis*, or a *have-not basis* if it was taken from them. I am sure the dollar per year is very conservative. Ask yourself the questions, would I pay a dollar for retention and good husbandry of my interest in these 300 million acres? And if I lose it to private utilization have I lost a dollar per year? The answers are easy, aren't they? Even though the great majority of these people may never be able to directly visit or be upon their lands, (annual visits on BLM lands now exceed 50 million) it cannot be said they don't have real value to them, and their loss would damage them.

The availability of these lands for peoples' use in a quality status is where the values lie. When projecting the money values we find on a ten year projection the values to the people to be 2 billion dollars, on a twenty year basis 4 billion, on a forty year basis 8 billion, and on an eighty year basis, just one generation, 16 billion dollars, and these allow nothing for normal increment of population increase of values and earnings on the investment. With good range management all values will increase. This output I submit is far greater than the public benefits that accrue from local economies from livestock grazing, and only 2% of the nation's livestock products needs are met from public lands grazed animals.

It is this new proportion that is urged for recognition by range managers. The old contest that flowered seventy years ago that big open lands were mainly for meat production is no longer valid. There are higher and better uses and to the extent that livestock production is not compatible with the quality environment concept, the livestock people must yield to the new and better order, even though they must convert to other ways of making livelihood.

Our populations of people will expand in urban areas, and the open spaces must be retained in condominium for the fair and proper use of all the people if our society is to make cultural advancement. It is never progress to destroy in the process that which makes our country a good place to live. *No single generation has the right to foreclose the options.*

I recognize that livestock use of range has a proper place in good management, and we can anticipate it can and should continue in the multiple use framework, but the tail has been wagging the dog too long. The important output for futures is for the real public interest, and the public needs advocates for this. The livestock people have been able to take care of their ends, with result of unfair subsidies in their utilization of forage from the public lands, the time for equitable adjustment is at hand.

Senator CHURCH. Thank you very much, Mr. Jones. We are happy to have your statement, together with the paper prepared by Bruce Bowler, who is, of course, another friend, and is well known as an outstanding conservationist in my State. I am very happy to have it.

Your reference to the management of the public lands, the waste and the abuse that sometimes occurs, brings to mind the Vale experiment that was mentioned in the previous testimony. There, on a pilot basis, it apparently has been demonstrated how much can be accomplished when the cattleman and the Bureau of Land Management work together with adequate input of capital, not only to increase the grasslands so that they can sustain the cattle without damage to the soil itself, but where fencing has regulated the use of the lands by the cattle in such a way as to avoid the serious erosion that had taken place before.

This demonstrates that if we can get the right kind of public investment and public land management, many of these abuses to the public domain can be avoided, and everyone will benefit thereby, including the wildlife and those who pursue it, the hunters and the fishermen.

Mr. JONES. Mr. Chairman and the committee, this brings up a point that we have a very serious conviction about. We would like to comment that on the complicated involvements resulting from contributed funds, one of the many things we hear the livestock men say is that we pay part of the costs on these improvements. They do, and they do it eagerly. By doing so, they acquire a vested interest or a right in the allotment. Because they provide contributed funds toward the development of livestock, no one else can be moved in with them to participate in the advantages of the increased forage facilities.

We know of one allotment in Idaho where one user, who is entitled to the privilege of 1,200 AUM's, now has about 4,500 AUM's for forage and more that could be developed. But even when adjacent land was burned out about 3 years ago, the affected people could not be moved into this allotment having surplus forage because the allottee had contributed funds for the removing of the brush and the seeding and the fencing and the provision for water.

This is a common situation and not an exception. But we feel, Senators, that this is an area that needs some real attention, and the folks back home are worried about that.

Senator CHURCH. I think that there is no question but what the whole problem of public access and public use of public lands should be reviewed by this committee, since there are places where this is becoming a very serious problem. The main focus, of course, of the present hearings has to do with the grazing fee and whether or not the proposed schedule is within the intendment of the law, and also fair and equitable for all concerned—for all of the interest affected by it.

I wonder if you have any questions, Senator Hansen, that you would like to ask?

Senator HANSEN. I do; thank you, Mr. Chairman.

Mr. Jones, thank you for your testimony. I was under the impression that the foresters nationally were and have been for some time trying to institute a policy of allotment responsibility and accountability. I understand your statement to imply that because of the investment that some allottees or permittees had made, they were able to deny the Forest Service the right to move other permittees onto a particular allotment area.

Is that what you said?

Mr. JONES. This was on BLM lands, sir.

Senator HANSEN. On BLM lands?

Mr. JONES. Yes, sir.

Senator HANSEN. Can you point to a specific allotment where a different situation has existed?

Mr. JONES. I do not understand what you mean by different situation.

Senator HANSEN. I mean a situation where the Federal authorities have the right in the absence of range improvements to move other permittees onto an allotment reserved to another permittee. You are implying that because of the investment that has been made, the Government has forfeited the right to arbitrarily move one permittee or one lessee, for whatever reasons it may find good and sufficient, onto someone else's allotment.

Can you tell me an instance where this can be done?

Mr. JONES. Where another allottee can be moved in where there is surplus?

Senator HANSEN. Yes.

Mr. JONES. No, I cannot, but I think it may be available.

Senator HANSEN. Then what is the substance of the point you are making?

Mr. JONES. I beg your pardon?

Senator HANSEN. I fail to appreciate the point you are trying to make. I thought you were saying that because of the investment that a lessee or a permittee had made, the Government was denied the right to move someone else in. Do I understand you now to say that you know of no place where this can be done?

Mr. JONES. My statement was to the effect that the other allottees were not allowed to be moved in where the surplus forage was and I also stated that I do not know where such a case may be reversed.

Senator HANSEN. Well, if you can find the evidence of such a case, I would appreciate your supplying it for the record. I was under the impression that there was individual responsibility and accountability for these assigned BLM lessees and that nowhere, whether a person

had made range improvement or not, could some other permittee be moved in on his lease.

If you know of that, I would be happy to have it.

Mr. JONES. I shall be glad to inquire.

Senator HANSEN. I would like to make one other reference.

There has been considerable interest, and justifiably so, the areas where Federal versus private ownership is concerned.

I would like to pay tribute at this time to the state director of the BLM operation in Wyoming, Ed Pierson, by pointing out that under his direction we have a map of the State, Mr. Chairman, this map shows anyone who is interested where the federally owned lands are. All that needs to be done is to take that map to the courthouse and you can pinpoint precisely where the federally-owned lands are.

I think we have, contrary to what has been said, some excellent relationships for making of these public lands accessible to hunters and fishermen.

Senator CHURCH. Thank you very much.

Mr. KIMBALL. Mr. Chairman, if I might just capsule a few of my remarks and direct them to the subject matter before the committee on the grazing fee increases, the National Wildlife Federation has long supported the multiple-use policies of the administration of our public lands, and recognized that grazing is one of those legitimate uses. But in the question of permitting a use—in this case the livestock permittees—to graze public lands at a fraction of the actual market value, we are concerned that we are turning a privilege into a right, a vested right, and that the only way you can eliminate that right is to gradually, hopefully without hurting too many of the livestock operators, bring this fee up to the fair market value.

The reason that we say this, Mr. Chairman, is that it is difficult to understand why a stockman does not have a right when he can go to a bank, and in some instances a Federal bank, and borrow money on the permit value. To me, if that is merely a privilege, I do not think many bankers would loan money on them.

So there is a real problem here, in our view, of having one use here singled out and having an arrangement where this right can be, or this privilege can be turned into a right.

Senator CHURCH. I understand your concern, but it strikes me that a privilege can have a value, even though it is merely a privilege. That is the only point.

I think there are two questions. One is how do you compute what would be an equitable fee? What cost factors fairly go into that determination? The other question is, how do you make it perfectly clear that no property right is being conferred when only a privilege is intended?

We have had previous testimony today, for example, that the Government is taxing the value of this privilege as a part of the value of an estate, where the deceased held a permit. So here is a case where one branch of the Government is treating this privilege as having a value and a taxable value, but this does not mean that the attributes which normally are associated with ownership in property necessarily apply to that privilege. And the distinction has to be made very clearly in the law and in the precedents that are established. I have no disagreement there.

Mr. KIMBALL. But I think, Mr. Chairman, that the additional problem of the improvements that are placed on the land, particularly in the case of the BLM lands, where the Government does not stand all the costs, is another indication that proprietary rights are being accrued to this land and that if the Government, for example, wanted to use that land or to give priority use of the uses, it finds itself in the position, then, of having to, if it is going to be fair, pay the livestock permittee for his share of contribution of those improvements, and if it has a permit value, that privilege, if that is what it is to be called, then the Government itself is required to pay funds for this.

And if there were significant amounts of land that in the public interest would be needed to be used for other purposes, I think the Federal Government would be in a real pickle.

Senator CHURCH. I think you make a good argument. I do not want to pursue it, only because of limited time and because other witnesses are waiting.

I would just observe in passing that if we had started the land management program on the proper basis to begin with, if there had been sufficient money in the Treasury allocated to the management of this land, it might have been done differently from the outset, and perhaps it should have been done differently. Perhaps from the very beginning, the Congress should have been generous enough to appropriate sufficient money for the maintenance of the public domain. This it has never done. Not yet. And probably we will not get enough money for the administration of the public domain until we begin reorganizing our priorities and stop spending as much money as we spend for the military, for wars in Asia, and all the other ways we pour out our resources endlessly upon distant sands. But up until now, we have not begun to budget adequately for the management of our public domain.

This includes the BLM, it includes the national forests. As a result, these practices have developed. The cattlemen themselves have been encouraged to make investments to improve the capacity of the land to carry the cattle.

And now, having developed that pattern, certain equities attach.

Well, we have to be mindful of that when it comes to drastic changes in the pattern, that is all. And that is what we are trying to weigh in the balance as we consider this question.

Mr. KIMBALL. I know that time is short Mr. Chairman. Let me make one more point and then I shall quit, if you would like me to.

Senator CHURCH. Please proceed.

Mr. KIMBALL. Much has been said about the contribution that private lands make to recreation in its broadest aspects—hunting, fishing, all of that. And I think this is true. Two-thirds of our land is in private ownership. But I think as the competition for the uses of this land grow keener, there is going to be no question but what there is going to be a value to recreation to the private landowner. We see this in many areas now.

So that when our population increases, eventually, a certain segment of our people are going to be priced out of the recreation business.

So the only place that is going to be left for the common citizen to recreate is going to be on those lands owned by the Government. Then they can build in a subsidy to allow a certain segment of our people to recreate at a lesser fee than might be charged on other lands.

So we are concerned about what happens to our public lands. We would like to see these inequities—if the livestock operator needs a subsidy I think we would be the first ones to agree that that subsidy should be paid, the same as it is to other segments of the agricultural industry. We do it to everyone else, and if livestock people need it, then let us give it to them. But not to the opportunity to get a vested right in these lands that all of the people own and may sometimes need for recreational purposes.

Senator CHURCH. Well, I certainly do understand your concern, Tom, the need to preserve the integrity of the public lands. I think this committee is well aware of that as a part of their responsibility. Thank you very much.

Mr. Lloyd Tupling, Washington representative of the Sierra Club, has asked that his statement be inserted in the record in order that those who have come long distances may better have an opportunity to testify.

Without objection, that will be done.
(The statement referred to follows:)

STATEMENT OF LLOYD TUPLING, WASHINGTON REPRESENTATIVE OF THE SIERRA CLUB

Mr. Chairman and members of the Committee. I am Lloyd Tupling, Washington Representative of the Sierra Club, a national conservation organization. Our interest in this hearing is in the conservation of the public lands upon which grazing is allowed on a permit basis, besides certain considerations of equity. These lands are the property of all Americans and should be administered for sustained yield in the national interest. Certainly, no part of the public domain should, in effect, be turned over to any special interest group.

The public lands affected by grazing permits are located in the West, including both Bureau of Land Management lands and those of the National Forests in the six Western Forest Service Regions. These lands are subject to varying degrees of aridity, and so are relatively fragile as compared to those of the humid part of the country. For this reason, they require careful management under ecological principles. This is best accomplished if they are left under the uncontested, coordinated control of the Federal land-administering agencies. Any measure that will contribute to such management is desirable. Conversely, any measure that will tend to prevent over-exploitation by any special interest group is desirable.

Judicious grazing under the rest and rotation system can enhance the vigor of plant cover essential to wildlife. Grassland management is biotic environment management and when properly conducted may promote a healthy, pastoral condition in an esthetically attractive setting. In fact, of all commodity uses, grazing can be one of the least visible in terms of impact on the landscape. This cannot be said of other commodity extraction uses which by their very nature require drastic changes in the landscape. There is real value in grazing as a land management tool.

Specifically, this hearing is concerned with reviewing the new regulations with respect to grazing fees which have been promulgated by the Departments of Agriculture and the Interior under instructions of the Bureau of the Budget, and which were published in the Federal Register, Vol. 33, No. 224, of 14 January 1969. The intention of the change in grazing fees is to obtain fair market value for the use of Federal lands. This seems to us to be a worthy purpose and unfair to no one. It also represents a policy which is in the best interests of the Federal domain in the long view. We support the new regulations.

There has been a long history of misuse of the public lands, and the stockman has contributed as much as anyone to this misuse. During the last few decades there has been an effort on the part of the Federal Government to correct this situation, but one of the holdovers from the past has been the system of ridiculously low fees charged for grazing livestock.

These low fees have encouraged over-grazing and consequent damage to the land by the destruction of stands of the best grass species for grazing and through topsoil loss and arroyo cutting. The low fees have denied to the American people a fair return on the lands which are public property, in the form of revenues which might have accrued to government at county, state, and Federal levels.

They have represented a large de facto subsidy to a special, relatively small group of stockmen, thus discriminating against the great majority of stockmen who are not in a position to use Federal lands. I understand that less than 2 per cent of the forage used nationally is from Bureau of Land Management and Forest Service land.

In addition, the low grazing fees have made the use of Federal lands so desirable that the practice has arisen among ranchers of adding an increment to the sale price of a ranch if it carries an attached Federal grazing permit. This increment represents a capitalized value of the grazing allotment, or what the ranchers call permit value. This means, in effect, that a rancher having a grazing allotment claims an equity in the land itself. This practice has never been recognized by the Federal land-administering agencies, being a fiction created among and by the ranchers themselves. Although only a fiction, this concept must have a psychological effect on the rancher, and must exert a certain negative influence on his attitude toward the effective Federal management of the land on which he has a permit. The new regulations will dim this illusion.

Part of the reason for the illusion of proprietary right may derive from the fact that banks and other lending agencies have accepted the existence of a grazing permit as a basis for granting loans, but since no foreclosure on the land or the permit value is possible, this can mean only that, while no equity in the land is actually at stake, the existence of a grazing permit is accepted as evidence of productive potential and hence of financial stability. Although the increase in grazing fees established by the new regulations will tend to diminish this fiction of permit value, it is likely that the borrowing potential of a ranch with a grazing permit will not be affected, because productive potential will have been reduced.

It is not inconceivable that raising the fee for forage would result in higher loans since the value of the forage is the productive basis on which loans are determined.

A major contention of some who protest the increase in grazing fees is that the new regulations were issued by surprise without any opportunity for public scrutiny. This is simply untrue, the change in the fee system having been arrived at only after long study beginning as far back as 1959. Stockmen's associations began to be brought into the picture as early as 1964, and there has been ample opportunity for them to make known their views. Study by the Federal departments involved has been thorough and painstaking, and it seems to us that a sincere effort has been made to arrive at a conclusion which, while in the national interest, would be fair to the stockman as well. We think that this goal has been accomplished and that the new regulations are fair.

It might be well to recall information developed at 1963 hearings of the Senate Interior and Insular Affairs Committee on "Review of the Taylor Grazing Act". A table on page 471 of the hearing record shows the following relationship in charges per acre for grazing on state and public domain land:

[Average receipts per acre]

| | State | BLM | State received as percentage of BLM |
|-----------------|-------|-------|---|
| New Mexico..... | 0.110 | 0.025 | 440 |
| Arizona..... | .070 | .011 | 636 |
| Utah..... | .042 | .012 | 350 |
| California..... | .030 | .015 | 200 |
| Oregon..... | .105 | .014 | 750 |
| Idaho..... | .100 | .017 | 588 |
| Montana..... | .185 | .031 | 597 |
| Wyoming..... | .125 | .020 | 625 |
| Colorado..... | .300 | .016 | 1,875 |

The State of Nevada was omitted because no state land was involved but BLM's fee there was \$0.009 per acre.

We do not contend that the state fees are fair or unfair. We merely point out that on a per-acre basis in 1962 they ranged from 3¢ in California to 30¢ in Colorado. The BLM fee in that period when placed on a per-acre basis ranged from 9/10% of 1¢ in Nevada to 3.1¢ in Montana.

For a long time Federal grazing fees have been lower than market value. For a decade they will so continue under the schedule announced. Even \$1.23 per Animal Unit Month is probably below what the grazing would bring on the open market.

The increase is to be applied very gradually in annual increments over a period of ten years. Even after the full increase is realized, it will represent but a small percentage of ranch operating costs. Any way one looks at the question, the increase cannot provide a lethal, or even a significant blow to any up-and-coming ranch operation. If, as time goes on, any ranch can be said to have failed because of the increase, then that ranch must have been on the brink of insolvency to begin with.

Still another contention is that changes such as this should await the findings of the Public Land Law Review Commission. This is not a valid argument, since the creation of that Commission was never intended to be accompanied by the suspension of the effect of all public land laws. As a matter of fact, such suspension would have put stockmen themselves into a state of suspended animation for an unknown number of years. They would certainly have resisted such an eventuality, so it is clearly unreasonable for them to argue for a selective application of the suspension idea. The new regulations are simply a phase of the orderly management of public lands, which must go on.

Our opinion that the Federal departments concerned have made a comprehensive and successful effort to be fair to all concerned has already been stated. In this connection, it should be noted that one-third of the grazing fee paid the BLM is to be set aside for range improvement. This is in the interests both of the individual stockman and the public. The Forest Service regulation does not include such a provision, but we are all aware of the efforts of the Service to improve grazing in the National Forests. For instance, in Northern New Mexico the Service has been subject to criticism because of its policy of keeping the number of cattle allowed to graze on allotments at a level which will permit range recovery. This criticism has probably arisen largely from the tradition of over-grazing in pre-National Forest times, and in spite of the known positive efforts of the Forest Service at range improvement.

The new regulations as published by both the Department of the Interior and the Department of Agriculture include provisions for future detailed review of the fee system to ensure fairness. We believe that the issuance of the regulations is long overdue. We urge that the Congress take no action that will upset them.

Senator CHURCH. Our next witness is Dr. Dewey Anderson of the Citizens Committee on Natural Resources. He is accompanied by Spencer Smith, the secretary. We shall be very happy to hear from you, Mr. Anderson. I take it Mr. Smith is not with you?

Dr. ANDERSON. He is indisposed, Mr. Chairman.

STATEMENT OF DR. DEWEY ANDERSON, TREASURER AND EXECUTIVE BOARD MEMBER, CITIZENS COMMITTEE ON NATURAL RESOURCES

I shall not take the precious time of this committee beyond the limit of 5 minutes, because I know how crowded it is and I have been on that side of the rostrum here so many times in the past that I know what you are up against.

I will take this much time to address my fellow cattlemen, because I am also a cattleman as well as a conservationist, and I ask your indulgence to take a look at the second page of the main body of my testimony, where the citizens committee presents the conservationist's position.

I do not intend to burden you by reading these five points, but to paraphrase them very briefly.

The citizen's committee, as you may know, is what amounts to a holding company of all the various conservation organizations that are nationally organized and are represented in Washington by Dr. Spencer Smith as a registered lobbyist, and he has appeared before your committee on more than one occasion. We are actively

engaged in having an influence upon legislation. We are very greatly concerned about the problems confronting this committee. And after due deliberation and after much study, we have promulgated the five points that appear on page 2.

We support the newly-imposed fee schedule. We are happy to see now for almost the first time in the long history of time, that the two main agencies concerned with the management of our public domain have gotten together. We think this might be the way to move forward in a substantive fashion to obtain a kind of administrative practice nationally, which has long been sought. And we commend them for it.

We also take the position, and congratulate the two agencies in question, that we do not want to see the fee schedule include a claim of the rancher in what we have been calling the capitalization of the permit. We see no reason for delay whatsoever for imposing the new basis for fees.

As a matter of fact, we do not know how you can do it except by some administrative change that could cause a great deal of confusion and more than confusion.

We believe the new policies, over a period of time, will establish a precedent which will give us—point the way to a solution of many of these problems that confront us.

Now, this five-point program, gentlemen, is the official position of the conservationists, and we have instructed our executive officer to proceed on the basis of developing a program which will reach both the House and the Senate to rally the support of the conservationists in the Nation around this five-point program.

This is what I wanted my friends in the cattle industry to note particularly. May I move over to something that I did last night as a result of listening carefully to the hearings yesterday?

You people did a magnificent job of developing testimony by very fine questioning and very fine answers obtained from the witnesses. The discussion groups around six interrelated topics: The fee schedule, its imposition, impact, and soundness, and closely related to the capitalizing or entering of the grazing fees as a cost in the permit and a cost of the operation of the lands; the plight of the livestock industry now and in the future; substantial changes ahead in the use of the public domain in which the claim of the livestock users will be one only among the claims of other prospective users; a possibility of delaying this whole program for a while; and finally, some legislation was suggested as having been offered which will meet some of the problems confronting the committee.

Now, I would like to submit a four-page statement on these points for the record, and not take your time by reading them here.

Senator CHURCH. Thank you very much. They will be made part of the record at this point.

(The material referred to follows:)

STATEMENT OF DEWEY ANDERSON

THE ISSUES RAISED IN THESE HEARINGS

I have been much impressed by the conduct of these hearings. The issues raised, the questions asked and the answers given will prove of great help in clarifying the problems involved. The record will be referred to often and as an old hand in such matters I urge an extra large printing of the report.

The discussion has grouped about six inter-related subjects :

1. The fee schedule, its imposition, impact and soundness
2. The closely related problem of capitalizing or entering as a grazing fee cost the capital value of the grazing permit
3. The plight of the livestock industry, now and in the future
4. Substantial changes ahead in the use of the public domain, the claims of livestock users on that use, and the pattern of production of livestock
5. Possibility of delay in imposing the grazing fee schedule
6. Legislation now introduced affecting the fee schedule and grazing permits.

THE FEE SCHEDULE AND CAPITALIZATION OF THE PERMIT

We have heard testimony as to the ways in which the present fee schedule was arrived at. The gist of which is that it is built upon modeling by experts and review by a considerable number of interested parties. It has been in the making for some time. I have not had access to the raw materials which went into the mix that turned out as the schedule before us. And without such data and a substantial amount of experts assistance in statistical correlations none of us would be able to determine its *validity and reliability* both necessary components of any such study.

But the procedures and safeguards seem to me to amount to a solid study of the problems involved. A well trained and long experienced man like Mr. Hughes of the Budget Bureau assures us that the study is sound, that the findings reflect an approximation of "*fair market value*" of grazing on the public lands. He is guided towards such an outcome of the fee schedule by his concern for the public's equity in the public lands use. I can only agree with him that both are in the public interest. My question is of another kind. I doubt seriously if fair market value can be obtained for the numerous differing factors involved in the eleven western states in a single schedule of fees applied uniformly. The judgments and weightings which enter into it are too varied for that end to result.

Does this judgment invalidate the study, and permit us to cast it aside? I doubt that. No new study, given the same objectives, would likely come up with different results. Mr. Hughes tells us that no matter how we view the study's findings, the fees are a starting point, subject to change as change is warranted by experience. That the present fee schedule allows a return to the owners of the grazing lands, the people, an increased share of their forage value. But that subsidy has characterized the fees charged from the beginning. By comparison with whatever little Federal land is available for rental in the area with which I am familiar, I would agree with him.

What the 1969 fees mean to me is, in the last analysis, a move made by the Government to raise somewhat the fees charged livestock growers. They may support the new fee schedule with elaborate studies of the costs of forage, and the value of that forage. But the average stockman has known for a very long time that government forage is necessary and it is "cheap". Even when it is becoming less cheap, it still remains necessary.

As to the permit value issue, we are dealing with a long-standing question. In the modeling done in support of the fee schedule the experts left out any capitalization of the permit's value or its cost. But considerable time was spent trying to determine what these might be. Chief Forester Ed. Cliff shed some important light on this issue yesterday. I repeat its central point because it is german and because some of the senators present did not hear his remarks. He solemnly said that the whole issue of the value of grazing permits will get worse unless dealt with and disposed of. That permit values are inflated now, and will become more so with time. That the so called national average of \$14.40 per AUM assigned as its investment cost varies greatly in time and place. On the U.S. Forests such an investment cost averages \$25 per AUM; but the range is from \$2 to \$72. Capitalize that investment at 6%, and he pointed out that the Government would be paying some grazers for using the forest lands of the nation.

I cite an example in my written statement which belongs here. It is of a neighbor whose conditions are such that he wishes to dispose of his permit, and the land he owns within the forest where the permit is operative. That permit allows for 400 cows, about 100 of which are his own turned out on his own 1,600 acres in the forest. The other 300 cows are allowed on the surrounding forest grazing land. He inherited the 1,600 acres, is the third generation on the ranch. His asking price is \$400,000 for the permit. And, as corporate owner-

ship develops in our area, he will get close to that figure. He is "selling" 1,600 acres, at the \$400,000 figure. But the buyer knows he is obtaining a right, not in perpetuity but for some space of time, to a cow permit for 400 head. And the value of forage is so great, the amount of it so limited, that some large-scale cattle outfit will move to obtain it. But in all this what is the public interest, its equity, and how is it to be expressed? If this cost is allowed to be capitalized in the new owner's grazing fee, it will be a good example of Ed. Cliff's statement that the Government will be paying the owner to run his cattle on that range.

I respectfully submit that the makers of the model on which the fee schedule is based were properly mindful of the laws of the land, of the basic purposes of the ownership and administration of the public domain, in leaving out a figure which purports to represent the cost of a permit. If, as appears to be the view of the majority of this committee, such a departure from long-established practice is to be entertained, the straightforward way of accomplishing it is through legislation which changes current practice and mandates the agencies to include the capitalization of the permit and its cost in any grazing fees to be levied. No government agency should be asked, and it should not take upon itself such an alteration in policy and practice by administrative action.

Senator McGee has introduced S.716 to accomplish such a change. I have read it with interest. There is some loose language in it needing definition. Such as—"the basis of which (grazing fees) reflects *comparability* of the expenses incurred by leasees of privately owned and leased lands. And, at another point the agencies "shall consider all costs" including, "the investment represented in such permit as reflected by the cost of its acquisition or the reasonable or recognized economic value thereof". This sounds to me like an invitation to lawyers to enter the happy hunting grounds of litigation. But that aside, the purpose is clear. Press that bill towards enactment, and I make this prediction—that you will find the lineup of forces in the Congress and among the citizens across the nation not unlike that which became aroused when the Dewert bill was before this body.

SHOULD THE FEE SCHEDULE BE DELAYED?

This question has been raised several times among us. There is even some question as to how the announcement came about at the particular time it did. I have no knowledge of what went on to produce this result. But Ed. Cliff told us the sequence so far as the Forest Service is concerned. They were ready to make their fee schedule announcement with a target date in 1967. They awaited the efforts of BLM to establish its position. A joint announcement appeared to be a substantial gain in uniformity, long sought. They had to move as soon as the new year saw the convening of the Congress and the need to send the word out over the country as the new permits were being issued. If we consider how many hands have "all thumbs" in district rangers offices where the initial work is done, and the way things proceed I can understand why the action came when it did.

I doubt whether many cattlemen were caught unawares when the announcement hit. For at least three years now, increases in grazing fees has been much talks about, in local meetings, grange and farm bureau, cattlemen's gatherings, and in some degree of orderliness in district range meetings. When and how much were our queries. And when the announcement came I know from personal experience that we cattlemen out our way heaved a big sigh of relief. For we expected a much higher figure, and more abrupt jumps in fees over the years ahead. We are getting our signed permits now, and our bills will be due in a short while. For out our way we get on the range in June, a bare three months away. We have made whatever calculations we have to include the increased costs in our current accounts and none of us is forfeiting his range permit because of the increase. Of course, we will talk a lot, but we know its still mighty cheap pasture.

If the new fee schedule is halted now, not only will there be some confusion, but in the end what will be gained? Do we seriously believe that the report of the Land and Water Commission in June will come up with different findings on fees to be charged, without making such a sweeping change in policy as the capitalization of the permit cost? And if that is done, legislation will surely be required, along the lines of the McGee bill. That will take us into the end or middle 1970, and any new fee schedule will not become effective until 1971 at the earliest. Two to three more years of indecision and strife. Is it worth it? Do we livestock operators want it?

I can do no better in expressing the complicated problems involved than in reading from an addendum to my statement here:

An Addendum

There are some additional items germane to the two issues before this committee, (1) raising the grazing fees on the public domain and forests of the nation, and (2) whether permittees should be allowed to make further claims on these lands through capitalizing their permits, thus making them more than temporary leases and closer to "owned" parts of their ranch holdings. The additional points to be made cover the experiences with Bureau of Land Management lands and their use for grazing purposes.

The history of the efforts to regularize the use of the public lands prior to the Taylor Grazing Act of 1934 reveal that some sought to fix the preference right, if not the actual ownership, of particular grazing areas. That was settled, at least in law, and over a period of time since then by administrative action in practice. So that the principle became fixed that a permittee had a preference to a grazing area on a showing covering historic use of the grazing area related directly to a base property in his ownership which was operated in conjunction with the grazing use seasonally. Ownership by the Government of the grazing area was respected by the permittee and signed for as such periodically under terms laid down by the BLM permit. It remains so to this day. No one is in doubt about who owns the grazing lands.

But this situation does not prevent the practice of the ranch owner putting some figure of monetary and cattle numbers value on the grazing permit for his own purposes. And it is understood by him, and by any new owner who takes the trouble to find out, that ownership is fixed in the federal government but the use value is in the rancher's permit for grazing purposes. Each has its own particular kind of value. Surely, permits are "sold" by ranchers in the sale of their ranches. And BLM is aware of that. So that, providing the terms of the Taylor Act and BLM are complied with, and the new owners are willing to abide by the requirements of their permits, use of the grazing land is transferred with the transfer of the ranch holding to the new owner. Then, in his operation of the ranch, a figure of cost of grazing is made in his costs of operation. In the back of his head, if he does not put a figure on his books directly, is also a figure covering the "value" of the grazing permit.

The situation works out satisfactorily for both parties concerned. It is only when an attempt is made to capitalize the value of the grazing permit as a major element in figuring the grazing fee charged as compared with the cost of private pasture that any difficulty arises.

When this is done the proposed fee schedule of the government agencies may appear high as compared with so-called pasture fees charged privately. To some marginal and small producers this could make a difference in their ability to stay in business. I have yet to see any figures which would convince me that this is true. On the contrary, in terms of total costs of operations, the current charge of 33 cents per AUM on BLM land enters into the cost of operation to be met annually by a cattle rancher as an estimated 3 per cent thereof. No rancher is going out of business this year due to this set up from 29 cents to 33 cents, and none will go out of business ten years from now because the AUM will have reached a closer approximation to the market value of pastureage of \$1.23 cents.

The real truth of the situation is that cattlemen have been the victims of a cost-price squeeze for many years now. In which the cost of all the things they must buy to operate a ranch, the price of their hired labor, transportation and marketing are all going up higher year by year, while the price at which they must sell their calves has varied from year to year but has not risen in any approximation to the increased costs ranchers must pay for their purchases.

If this committee's concern for the plight of the livestock grower is to be met satisfactorily, the problem is not the new grazing fee schedule being introduced belatedly by two much-harassed and under-budgeted government agencies. It is the failure to face up to the need of the nation for more red meat at reasonable consumers prices. The prospect for more red meat production depends considerably on the increase in the number of head grazed on better forage on the public lands of the nation. Take the BLM situation today, where there is an estimated need for at least 12,000 joint management plans to be installed with increased and better forage the goal, as against the present 1,200 plans in force, and the allocation in the current budget for only 200 more such plans to improve the range.

There are a number of examples to show that such plans and operations have increased the carrying capacity of the range lands from 100 to 200 per cent.

It is the conservative estimate of the practical men operating BLM that a step-up program of range improvement and management along modern lines would easily triple production within a matter of a few years. Therein lies the real prospect of increasing the number of beef calves made available for fitting into useable beef products to feed a growing number of consumers to provide a more acceptable standard of living.

Improve the range, increase three-fold or more its carrying capacity, and several benefits accrue therefrom: (1) all cattlemen, small, marginal, medium sized and large, are made more productive and their ability to meet the increased costs of operation are enhanced, their profit margins more assured; (2) feeders and finishers are assured substantially increased supplies of calves at reasonable prices; (3) meat purveyors are given more product to put on the market; (4) consumers are the beneficiaries of more red meat supplies and prices to them should come down some or the amount consumed should rise. But the chief beneficiary of all is the general public, the nation. For one of its major resources, the lands and forests upon which so much of our well-rounded life depends, is being restored, made more productive. All the ways in which the vast public lands contribute to healthful and enjoyable living of our teeming city populations through more and better water supplies, flood control, clean air and recreation are enhanced.

Provide those means of improving and managing the public lands which modern science and practical administration make possible, and the income of these improved ranges will allow the increases in budgets needed out of the revenues earned from the uses to which these lands are put. We cannot continue to starve and under-capitalize these lands agencies without paying the price in reduced range capacity, less revenues produced and marginal livestock men leaving their ranches in discouragement. Take the BLM, which currently has a budget allowing one professional employee per a million acres of land under BLM management. While the very conservative estimates of need is for at least five such persons at work on such a stretch of land.

Is the alternative some offer, that of selling these lands to private owners and having the government retired from the business of its management an adequate answer? The BLM has an active program of making such sales. Its record offers no basis for optimism that these lands in their present condition will bring a price which livestock owners can and will pay as over against the offers of land hungry people and speculators who have no ranch bases and no intentions of using the land for grazing purposes. Such an approach is self-defeating so far as livestock growers are concerned. Nor can the conservation needs of the nation be met that way either. For these private, largely absentee, owners are not obliged to do anything with their land purchases, and some of the most neglected areas of which we know are just such parcels of former public lands now in private ownerships.

There is another aspect of the problem under review about which a word or two seems necessary. I refer to the fact that the same kind, if not the same degree, of consolidation, merger, and conglomerate ownership-operations we find so increasingly characteristic of our industrial, mercantile and banking economy has reached into the livestock industry. With the effect that the number of individuals having permits to graze the public lands is declining. The permits are being issued to larger operators as consolidations occur and conglomerates look with increasing favor at the tax-offset and other advantage of cattle ranches, including the advantages of large-scale management.

Land is scarce and becoming scarcer. Its appreciation over a span of years is evidenced. In my region, appreciation on ranches sold has averaged slightly less than 9% a year for the past ten or more years as reported by the Department of Agriculture. This has not escaped the notice of investors.

There is no program of which I am aware, either in the Forest Service or the Bureau of Land Management, to insure the continuance of smaller individual ranchers in business through the allocation to them of any permits which reach the agencies for reallocation. Invariably, in the area of which I have first-hand knowledge, the permits allowed to lapse or which are "sold" through the transfer of cattle and other devices allowable under lease-permit provisions, seem to go to already larger outfits. How much all this has done to bring about large-scale operations already is evidenced by a figure in the BLM report.

"Fifty-two percent of all BLM forage (number of AUMs) is allotted to only five per cent of the permittees." . . . While operators having less than 500 AUMs are two-thirds of all permittees, they have only 7.3% of all AUMs.

There is another element worth including in the situation, namely, that all indications point to this as a propitious time in the cattle cycle to institute the new fee schedule. There won't be much increase, say the experts, in fed-beef output this year over last. And "feeders are going to be harder to come by", for the large heifer stock slaughtered and she-stock decline have brought us to a point in the cycle where the rebuilding of herds will take some years. During which prices for beef calves, the product of range grazing, should hold or go higher (reported in Smith Sasay exclusive Cattle Letter of January 1, 1969).

Dr. ANDERSON. I take, Mr. Chairman, some different views concerning some of the issues that have been before you. Out of training and experience in the field of economics, I would be very dubious about the basis upon which the fee schedule has been based.

I am increasingly dubious as to whether or not, in strictly economic and statistical terms, we have something which is called and can be called properly "fair market value" in the fee schedule. But I do not believe that this invalidates the study or its use.

I think, in effect, what we are doing is getting a raise in grazing fees, however justified. A raise in grazing fees that Mr. Hughes told you yesterday, and he was an excellent witness, seemed to him to be justified, for it begins to catch up on a subsidy that has been inherent in this procedure for many years. And he expressed a view that this fair market value was beginning to approximate the public's lands, something to be lauded.

How to arrive at it is the question, and I am very skeptical as an economist who has played with models for a good many years, about the basis upon which the fee schedule is based. I look upon it entirely, in the last analysis, as an effort to justify with a lot of window dressing, some of which may be pertinent, the fee schedule that is now being proposed. And I would ask you gentlemen to look at the fee schedule and not the basis upon which it has been arrived at as the most germane part of this problem before you.

But I would like to turn finally, having included this four-page statement in the record, to a comment or two about this matter of its delay. I got my permits in the mail a week ago at the ranch, Forest Service permits.

My BLM permits are a little bit slower because they are always a little bit slower. They are not as well managed and they do not have the personnel that the other agency has. But I know that with so many thumbs in the average ranger's office dealing with paper-pencil problems, I know that these men have to have a lead factor of 3 to 6 months in order to do the paperwork. I know they have already sent out a substantial body of permit claims and in due time, there will follow—as I get ready to move my cattle up on the range, along about the 1st of June, before I do so, I shall pay a bill in advance. Then I shall move my cattle up and they will stay there during the summer.

This thing is already in the works. How you would delay it, how you would stop it, I do not know. It would create unusual confusion if you did and it would weaken the authority of two master agencies in the process. And I know what some of us on the grazing end would do if we ever saw the weakening of the line.

I would urge, however, that this committee, and it is a very much related problem, consider the cost-price squeeze that the cattle industry

is under, particularly the calf-growing end of this industry, where I belong. It is not a single factor, it is multiple factor, and I tried to outline some of the things involved in this statement. The fee element in this factor is not the controlling one between success or failure in the industry. It adds a burden, I am frank to say. But there are other elements that are far more transcendent in importance making the difference between a viable industry and one which is not. We are on the verge and have been on the verge in that situation for 10, these many years. And nothing that you may do about the fee raise at this time will involve that particular problem. And I tried to outline in brief in this statement some of the elements that confront us in the cattle industry.

That is the purport of my statement, gentlemen.

Senator CHURCH. You were very fluent and articulate in the statement you have given us, since you gave it entirely in impromptu fashion and submitted your written statement for the record.

Dr. ANDERSON. Thank you.

Senator CHURCH. I appreciate very much hearing from you.

Any questions?

Senator JORDAN. I have no questions. I appreciate the manner in which his statement was presented, too, Mr. Chairman.

Senator HANSEN. I have no questions.

Senator CHURCH. Thank you very much, Dr. Anderson.

(The complete statement referred to follows:)

STATEMENT OF DR. SPENCER SMITH, EXECUTIVE SECRETARY, AND DR. DEWEY ANDERSON, TREASURER AND EXECUTIVE BOARD MEMBER, CITIZENS COMMITTEE ON NATURAL RESOURCES

The Citizens Committee was formed in 1954 so that conservationists could further the interests of all Americans in the preservation, development and appropriate use of the natural resources of this nation. Its officers and board members are listed on this letterhead. That list includes leaders in the field of conservation from many walks of life. The Citizens Committee is the most comprehensive body of resource men and women appearing before the Congress today. Its record has always been in defense and promotion of multiple or specific uses of our natural heritage for the ecological development of our surroundings, to the end that man will improve and not damage them and thereby pass on to posterity a better American outdoors to enjoy and use. The Committee's testimony on this important topic of grazing fees and the grazing structures is offered with this twin purpose in mind.

The Witnesses: Dr. Spencer Smith is the executive officer of the Citizens Committee. He has appeared often before this and other committees of the Congress. His background on a midwestern farm has given him a practical acquaintance with the problems which this committee is examining, and his training in economics and resources culminating in the Ph.D. degree at the University of Iowa attest a coverage of the economic problems and policies involved. Unfortunately, temporary illness prevents Dr. Smith's appearance today.

Dr. Dewey Anderson is a founding member of the Citizens Committee and a member of its Board and Executive Committee. He is known to members of this legislative committee as the former executive officer of the Temporary National Economic Committee (TNEC) under the able chairmanship of Senator Joseph O'Mahoney and later served in the same capacity in the Senate Small Business Committee under the chairmanship of Senator James E. Murray and vice chairmanship of Senator Kenneth Wherry. Until his recent retirement he was the executive director of the Public Affairs Institute which as worked closely with the Congress over many years. He has been the owner-operator of a Western cattle ranch for over fifteen years, and in that capacity has had intimate relationships with both the Forest Service and Bureau of Land Management, for his cattle graze on the lands managed by these agencies. Dr. Anderson presents this testimony in behalf of the Citizens Committee.

The Conservationists Position. In summary, supported by evidence and examples offered in the body of this statement, the Citizens Committee on Natural Resources holds:

1. The newly imposed fees for grazing on the public lands are eminently fair, and approximation of the fair market price for such forage.

2. A joint operation and alignment of the two main agencies of the government concerned with grazing, namely, the National Forests and the Bureau of Land Management, one in the Department of Agriculture, the other in the Department of Interior, is a sound approach. It will result in uniformity of fees and can be expected to result in uniformity and improvement of practices in the management and use of the public lands of the nation. A highly commendatory move, long overdue.

3. Refusal on the part of the government agencies to yield to the pressures seeking to fix as a component of the fee schedule and as a "claim" of the rancher the grazing allotment permit capitalization is commended. Conservationists are concerned with the improvement of our natural resources, their conservation, their evolving and changing uses, and their continued ownership in and management by the U.S. Government as custodians of the property of all the people.

4. We see no reason for delay in imposing the new basis for fees, as adequate time and intensive study have already been devoted to this matter. All who wished to be heard have expressed themselves. The new policies and fees are the result of prolonged, careful, impartial and scientific analysis and study by the agencies charged with responsibility for the management of our public lands used for grazing livestock, and for other uses.

5. We believe the new policies, the reiteration of old established ownership of the grazing lands by the government, the fee schedule and its imposition gradually over the next ten years are all in line with the best conservation interests of the nation. We support them.

The Problem Stated: Ever since the U.S. Forest Service has had a forest land grazing program begun in 1905 and the Bureau of Land Management established its grazing program in 1934, grazing rules, regulations and fees have been in controversy. For some grazers want "ownership rights" to the lands they graze and fees as low as possible. On both the government has held different views.

There are two major aspects of the problems:

1. A first joint attempt to change long-standing methods of determining grazing fees on National Forests by the Department of Agriculture and Federal Lands under the administrative control of the Bureau of Land Management. The "first" has two aspects, namely, the first time that the two federal grazing lands agencies will apply grazing fees on the same basis, and, a new formulation of levying fees over the next ten years to bring them more in line with grazing costs when rental pasturage is obtained from private owners. And,

2. As stated in the Federal Register for January 13, 1969, the new policy: "... precludes a monetary consideration in the fee structure for any permit value that may be capitalized into the permit holders' private ranching operations."

This could have an effect on the taxing system and reporting used by ranchers. But it could be particularly important in offering ranches for sale, and in any event makes clear to all concerned that the federal government does not admit to a legal and inalienable right of the holder of a permit to graze on public lands year-in-and-year-out at any particular level of use because the permittee had included his permit as a tangible element in his ranch ownership and operation.

Some Pertinent History: The first settlers of these lands in the West came to a fenceless public domain. They grazed the grasslands by reason of the "muscle" they could show or the agreements they could make with each other. Homesteads followed, where possible so chosen as to combine the wintering capacity of the homeplace with the free grazing of nearby or adjacent public lands. Much ingenuity and practical horse sense were used by these homesteaders in doing so. For example, my ranch, carved out of the public domain, consists of the homeplace which has substantial capacity to grow hay for winter use. There is a private holding within the national forest of a 160 acres in the bottom of a meadow surrounded by some 1400 acres of Forest land, and there is yet another 160 acres within the Forest which is heavily timbered. Largely, a self-contained "spread". Combined, the carrying capacity of the ranch is much above the year-round capacity of the homeplace. So far as was possible by the combination of public-private ownership and use, the early owners would insure against being dispossessed from grazing lands by government fiat. This has been the historic pattern of western range-ranch development.

Probably two-thirds to three-fourths of the cattle ranches of the West are still in the hands of family descendants of the original homesteaders. But the process of new owners having little or no connection with the past which has established the pattern of operations just described is increasing as city dwellers and corporate groups find the tax, income and profit structures advantageous to their ownership and operation, often as absentee owners-operators of ranch holdings.

In either the continuance of successive generations of owner-operators, or in the attractiveness of such ranches to this newer type of absentee-operators-owners, the ranch is regarded as an "entity", in which its grazing privileges and permits are an integral part.

Whether by the strict methods of modern accounting any considerable number of western stock ranchers are "profitable" is a moot and as yet unestablished fact. For to those who have inherited such ranches capital costs, equipment accumulation, stock, fences, layouts and a host of incidental but essential operational factors have not been "capitalized". But they have been taken for granted in the conduct of these ranches, and the grazing rights such ranches have enjoyed have entered into their operations in a substantial but uncanceled way, too. They regard the grazing lands as theirs, attached to their ranches. Hence, attempts to increase grazing fees have been regarded by these pioneers as a further burden. They have enjoyed the subsidy granted by a benevolent Government over the years as a "right" and they naturally look upon any new grazing costs for the use of the land they have come to regard as their own as a rank imposition.

Subsidy has been a "way of life" for many, if not for most of the businesses which have become characteristic of the American economy. We often forget that it is a government, local, state or national, which provides at public expense many of the necessary elements in conducting private business. So it is with the public range used by private ranchers on which to graze their livestock. When that range was free, it was included by the owning rancher in his way of operation and made a distinct but not detailed or separate contribution to his ability to sell his product. When some charge was made by the Government for the use of same range, that charge became a cost which became a factor in the price of the livestock sold. As a cost when the Federal income tax was levied it was an item in production entering his income tax account. Depending on where he was in terms of taxable income, that cost was a more or less attractive feature to him. But as a "charged-off" item, it affected the government's income. It is such a "cost" as this that helps absentee-owners determine to purchase livestock ranches.

I doubt seriously whether many Western cow-calf outfits, and even more of the sheep spreads, could maintain themselves for long without some substantial grazing use of the public domain and national forest. In a hundred mile stretch along the Eastern side of the northern Sierras, where my ranch is a mid-point, all commercially operated stock ranches are dependent on such connections. There you can see in miniature what is happening to stock raising as the variety of encroachments take over from the free grazing days of two generations ago. And as stiffer management practices are imposed by the government, to a greater or lesser degree the picture presented there is typical of what is taking place throughout the West. Among the characteristics of change are these:

1. Sound range management taking into account the several features of the terrain, must consider forage and its users not only for a single season but for the indefinite future. Thus, carrying capacity is no longer a "guess" but a definable number, given certain tolerable limits. It is subject to change. But the determination which allows inadequately for the views of the permittee must in the end be made and enforced by the defender of the public interest, in this case either the Bureau of Land Management or the Forest Service.

2. Recreational uses of the area take on increasing significance, and sometimes are in direct, or indirect, conflict with the desires and uses of the grazing permittees. In which case a range plan is essential which seeks to accommodate such diverse concerns. Such situations are growing. Once again, the arbiter of these diverse concerns and the administrator of the range plan must be the government agencies charged with the responsibilities of managing the range in the public interest. Here is one area where the conflict of interest is increasing. Here stands out starkly on occasion the fact that recreational interests have been ignored altogether too long so that attention to them now on the part of the federal agencies arouses a natural concern, if not the antagonism, on the part of the grazing permittees.

3. Increased capacity of the range and its consequent better utilization offer very real prospects for easing the pressures between the grazers and the recreational interests. If adequately done over a period of years range improvement programs could possibly halt the trend towards reduction in numbers of livestock using the permitted range. In rare instances, that trend might be altered and some increases allowed. But I know of no range which is blessed with an intensive development program so well financed as to be in this class.

Instead, the budgets provided for such purposes to both the federal agencies here under review are so far below the requests of those responsible for range improvement that in the over-all it is doubtful if range betterment has progressed to the point where any national net increase in carrying capacity has resulted in increased permittee allocations. On the contrary, I do know of instances where the range capacity has been reduced, the season shortened, and in some instances permits have been taken away from or forfeited by long-time users.

4. Other public uses such as development of dams, and other private users under the multiple-use principles which the agencies follow, such as mining, generation of electricity, lumbering, road building and summer sites, encroach upon the range so that as these uses grow, the range available for grazing declines or is altered. This trend is noticeable, can be expected to increase and is so regarded by stockmen of my acquaintance. To the end that already a number of the oldtimers are being forced to alter their plans of operation even to the exclusion of the use of the public range in some instances.

The Effect of the Fee Plan and Increases on Livestock Operations: This new grazing fee plan and the raise in fees does not come with any surprise to the livestock operators involved, despite what some have said about its abruptness and arbitrary character. Both have been "in the wind" for some time now.

One somewhat unexpected surprise has been to see the two agencies, Forest Service in the Department of Agriculture and the Bureau of Land Management in the Department of Interior, acting in concert for once. For in the field, even under the best of rangers, their operations have had the outward signs of cooperation and understanding, but they have gone their separate ways so far as we ranchers have been able to discern. The effort to bring the policies and administrative practices of these two agencies into alignment is a considerable advance in range management. Its benefits should be felt more and more over the years ahead. But as BLM raises its standards rapidly, some hardship among ranchers is likely to occur.

Specifically, action to establish a "fair market value" of grazing fees is grounded in the published announcement of the Secretaries of Interior and Agriculture of November 14, 1968, in which the two departments followed the instructions contained in the Bureau of the Budget's Circular No. A-25 dated September 23, 1959. The livestock industry and many grazing permittees were well aware so long ago as the 1959 date that some proposal was forthcoming sometime. A two-year field and headquarters study had been underway for at least two years prior to the announcement of the two Department Secretaries.

How intensive the studies were can be gleaned from the report of these Secretaries: "About 47,000 grazing permits are issued to farmers and ranchers by the two agencies."

"The intensive SRS (Statistical Reporting Service of the Department of Agriculture) survey produced data needed to estimate the grazing values on 98 National Forests, 19 National Grasslands, and 48 BLM Districts in 17 Western States. Some 10,000 individual ranchers were interviewed in the survey and more than 14,000 questionnaires were collected. Information was obtained from ranchers on 13 non-fee costs of using public and private lands and lease rates on private grazing lands of both cattle and sheep." (Washington, Nov. 14, 1968 release)

I have not had access to the original data, hence as a research economist I cannot conclude all that might or should be said concerning the adequacy or reliability of the data as these were used to arrive at the figure of "\$1.23 per animal unit month, adjusted by the annual forage value index . . . used to calculate grazing fees for livestock using the National Forests and the public lands. The new base, which is considered the current fair market value, would be reached in increments over a 10-year period, starting in 1969." (Ibid., page 2)

I can, however, testify to whether this new base rate is a "fair market value" of grazing rentals in my substantial area of cattlerand. For the most part, private grazing lands are not readily available. Because the commonly accepted view of livestock men is that idle land won't produce as much profit in any other use to

which it may be put as in raising a weaner calf on it. But there are always some private pastures for rent. What such pasture brings is what the owner believes the "traffic will bear". Fair market price or not, I paid \$5 per cow month to pasture a group of heifers within hauling distance of my ranch last summer. The "going rate" in the area was \$3.50 per month, but there was no good pasture available for forty miles around. A few seasons back I had a sizeable group of steer calves to carry over until Spring. I negotiated with a Texas wheat rancher, and his price for grazing on planted wheatland was \$3.50 a head, with my taking all risks and paying costs of transport.

Strictly in practical terms, even if the entire ten-year growth rate to \$1.23 per cow unit were charged this season, it would be much below the costs of private pasture in the area with which I am familiar.

I am aware of the elaborate methods used by the several experts in developing "models" to be used in arriving at a "fair market value" of the grazing of livestock. Some ascribe weightings to each item about which even the experts disagree, some want more items included, some believe less are needed. But "hair splitting" will not tell you and me what should be the rate charged. For the important fact is that whatever figure is arrived at and agreed upon by the parties at interest, none so far as I know deny the fact that government grazing is "cheap". I am not convinced that the fee schedule being proposed will drive any present livestock operators out of business for it is not *the* crucial item in the cost structure of operations.

Ever since I bought my ranch over fifteen years ago, I have bombarded the Forest Service with my urgent request to give me more grazing allotment. And in that class are the comparatively smaller ranchers I know. It is not the price charged for grazing on national lands but the limitation of cow units from which all of the smaller independent ranch operators suffer, and which helps make the difference in survival and profit-making between the small ranchers and the big and corporate outfits.

Let's face it, small livestock ranchers are marginal, not because of the relatively minor cost in their total operations budget of the grazing fees charged them by the government agencies, but because of their small sized operations in an economy which penalizes them for their small size and independence in so many ways. The answer to their dilemma is not to keep the grazing fee down below its fair market value. It is in providing the competent among them access to *more grazing* subsidized by the government. It lies in taking a good look at the heavily subsidized grain producing farmers and finding some way for these small Western ranchers getting feed grains at some approximation of cost so they can feed out their calves on their smaller holdings where their care will make the difference between profit and loss. It lies in ascertaining how to reduce the tremendous markup of twenty to forty percent or more over the cost of manufacture of the labor-saving machinery the small livestock operator needs to make his way with his family manpower in an economy where only the big operator can afford high-priced hired help. It means really providing him access to crop and livestock loans in the amounts he needs and at the rate of interest he can afford to pay. It means giving him first access to any grazing rights that become available instead of allowing them to go to the already large operators in his grazing district. It means assisting him through loans of equipment and labor to improve his share of the grazing areas and his homeplace property.

If the Congress and the Administration really intend to help cattle ranchers stay in business profitably, they will center their attention on the needs of the agencies which administer these millions of acres of public lands. By providing the funds which will allow their programs of range maintenance and development to go forward at an accelerated rate. They will not allow a Bureau of the Budget, no matter which Administration is in the White House, to dictate the level of expenditures and the policies under which budget requests can be made, tailored not to the needs of the grazing lands for restoration and development but to some preconception of the dollar allowances or ceilings these agencies can offer through their department heads to the Bureau of the Budget as their requests for financial support.

We in the conservation movement long have labored before the Congress and in the Administration to raise the sights of both the legislative and administrative branches of the government to center on the target of what is needed to meet the ecological and physical needs of the grazing, park, forest, wet and dry lands of the nation. So that we do not continue to slip back year-by-year in our endeavors to insure adequate natural surroundings in which our generation and those to

come may breathe clean air, drink pure water and enjoy the bounties of productive lands. We are growing somewhat tired of being frustrated time and again by the Bureau of the Budget's disregard of the actual needs and the requests for support which come from the agencies directly responsible.

No one has estimated with any degree of closeness what should be budgeted to make the grazing lands of this nation as productive in their yield of forage as they can be. I have a small but concrete example to offer. On my summer range 160 acres of meadow land is owned by me, some 1400 acres within the fence boundary is owned by the National Forest. Presently, a de-brushing operation which could add ten percent more carrying capacity within two years will cost \$1,100. But the item for such operations has been cut back by an economy-motivated Budget Bureau, and so the needed brush removal program is "deferred", as it has been in successive years to the point where both the District Ranger and I the ranch owner are nearly discouraged.

I know of other grazing area needs which could increase the carrying capacity and insure the future use of our public lands by easily a fourth or more, yet because Budget Bureau mindedness prevails they are not even suggested by the agencies directly concerned. I also know, as a person experienced in resource economics, that such activities would even meet the test, artificial though it really is, that we capitalize such improvements at the rate of a "going 6% a year".

When considering the grazing fee aspect of the new policy respecting grazing under the Forest Service and Bureau of Land Management we cannot fail to take account of the American consumer's interest in obtaining plentiful supplies of highly nutritious beef at prices within the range of their incomes. Beef used to be a luxury item in the average American diet, but as consumers incomes and tastes rose beef has now become a staple. Yet there are altogether too many Americans who cannot afford beef. While the range grazers are hard put to it to make a profit.

Range users are calf producers. Some are sufficiently integrated to feed out their calves, but most of them sell their calves off their mothers at weaning time. They go from there to the commercial feedlots and the farmer feeders in the grain areas. The margin each of these handlers take is small, especially relative to the final retail price the consumer pays for his beef cuts. I do not attempt to say who gets the lion's share in the process. But I know from the record and from personal experience that it is not the calf producer on the Western rangelands. He needs any "lifts" he can get to make out, and one of his big lifts to date has been his range subsidy through the use of public grazing lands. There the problem is not so much the grazing fee itself, as the allocation of numbers and the adequacy of the grazing period and the quality-quantity of the forage produced.

There is one aspect of the use of our grazing lands which must be noted in any discussion of this nature. And that is the role played by the permittee in the conservation, development and use of his permitted grazing lands. I know of a few instances, and only a few, where permittees do little or nothing to improve the ranges where they graze their cattle. I know of many, in fact the majority, of permittees who are mindful of their trusteeship and who spend time and money improving their permitted range. In some cases considerably beyond the contract arrangements they have with the agency in charge of the land.

The day is fast passing when the charge can be made that the permittee is out for a quick profit regardless of the effect on the grazing land. But I am also aware of the fact that it is the nature of the permit, the enforcement of its provisions, and the imperative needs each permittee has for his allotment that combine to make him carry out his side of the agreement fully even when other interests impinge upon his time and resources. For most permittees their permit is a part, an intrinsic part, of their ranch property and operations. Which leads naturally into a brief consideration of the part of the new policies which is causing more concern among ranchers than the raise in the grazing fees. I refer to the declaration that the fee system to be employed does not provide a "monetary consideration in the fee structure for any permit value that may be capitalized into the permit holders' private ranching operations" (Federal Register, January 13, 1969).

The Effect of the Capitalized Market Value of the Grazing Permit. There have been attempts in the past to make it a declared governmental policy that any ranch holding a permit to graze held that permit in perpetuity as a right akin to ownership. That while the permit did not rest on a transfer of title to the land in question and while the permittee did not pay taxes on that land, to all other

intents and purposes he was the "owner" of the grazing land for which he held a permit. It would appear that there is still some doubt among some ranchers about the ownership of permitted range land. So that the Government in this declaration of policy respecting grazing and grazing fees deemed it necessary to reaffirm its continued stand that such grazing lands are part of the undivided public domain. That any use thereof by livestock operators was subject to, and rested by their very nature on, an annual permit, which required renewal of a contractual relationship between the government agency and the individual permittee. The terms of any such permit might remain the same as that of the year or years previously issued, but then, again, they could be changed and agreed to by the parties at interest. The permit could be revoked for cause, for disuse, or modified for other more important purposes. The grazing season could be shortened, or lengthened, as the administering agency might determine. In both a legal sense and in the operational features agreed to between the parties, there is no semblance of a doubt that each understood the permit to be just that, an annual agreement to use the rangeland according to the terms of the annual permit.

The long-established terms of such permits require that the permittee be the legal owner and operator of a ranch having sufficient private land and water resources to sustain the livestock during the period when they will not be grazing on the permitted acreage. There are usually provisions, also of many year standing, that the legal owner and permit holder of said ranch may refrain from using the rangeland for a given period of time, but yet has the right to reenter on the use thereof when a new permit is issued. Permits are not transferable, except by and with the consent of the government agency concerned. There is also a combination of permits, each on its own separate contract paper, where a permittee having private lands within the allotted area of grazing lands may be permitted to graze additional livestock on the public domain surrounding or adjacent to his private land. In which case he agrees to certain terms of control over his lands by the agency having jurisdiction.

Why, then, is this matter of the nature of the permit brought up in connection with the fee raise program at this time? Because alongside of the known nature of the permit has grown up in practice in the West a system among ranch owners, bankers and those with whom they do business, and in the selling or buying of ranches, which has included the grazing permit allotment of animal unit months as worth some figure of value. When stated in dollar terms this figure varies widely with owners and their business connections. For example, I know a ranch nearly adjacent to my own whose owner is prepared to sell some 1,600 acres of deeded land on a mountain meadow surrounded by National Forest land for which he has a combination (public and private) permit of some 400 head of brood cows for a three months summer season. He has been asking \$400,000 for the 1,600 acres because to a ranch operator it would customarily (tho not necessarily) carry the rights to the public forest grazing allotment. The saleable price for the 1,600 acres alone would not be above \$50 an acre, or \$80,000.

The range permit has unusual significance in the West because it often spells the difference between a viable ranch operation and one which is not. The range permit has become an historic instrument as well as an integral part of the ranch itself. It is therefore not to be treated lightly or cavalierly by any party thereto. But it cannot be considered as a legal claim against the agency issuing it, and ranch operators are fully aware of that. There is no such caprice about it as mentioned in the practical book of financier Harold Oppenheimer's *Cowboy Economics* which says:

"No matter what the history has been or what you are told by brokers or "old ranchers" never forget that all it takes is for the President of the United States to get up on the wrong side of the bed one morning and sign a document that will take away your leases without compensation". (*Cowboy Economics*, Rural Land and Investment, 1966, p. 110).

But the "squeeze is on", in the view of some observers who witness the various "claims" of different users on the public domain. I cite this illustration—Across the valley from my ranch is a picturesque mountainous region where some striking scenes are to be found and where a band of handsome wild horses led by the proverbial silver maned stallion are to be seen from time to time. The region has some good watering spots and some valuable forage. It is under BLM management. It is excellent deer hunting country and has the potential of becoming good wild turkey and chucker hunting. It also yields a goodly number of dove and mountain quail limits each season. There are favored spots for picknicking and camping in its canyons.

The BLM has determined it to have considerable recreational potential, which now becomes a contender with its primary use as grazing land. So, after surveying the present carrying capacity and usage, and finding it overgrazed by today's standards, the BLM has decided to cut back considerably its allotment, and has so informed its permittee. But this range is absolutely vital to the operation of the ranch. It enters into its sales value and the widowed owner has the ranch on the market. Without the BLM allotment, its sales potential is limited, its production prospects anything but bright.

There would appear to be room for the treatment of such cases under the heading of "hardship." But there is no question whatsoever that legally and in terms of the development of the rangeland according to a sound program of multiple use, the agency must be able to change the terms of its permit. It cannot be put in the position that because this land and its permit have been combined in the historic development of the ranch and enter into its workability and sales values the agency cannot alter its contract terms.

To include the "annual capitalized market value of the grazing permit" as advocated by the National Cattleman's Association in its brief submitted on November 9, 1967, is contrary to the long-established public policies respecting our public domain. It is fixing a claim of certain private interests for their individual and profitable enrichment. Such an approach is about as close to a direct claim of ownership as one could get without a grant of legal title to the land. This is not what my reading of my permits, nor the history of the grazing laws show was ever intended.

What I do suggest can be considered is some clarification of the permits issued by the controlling agencies. I also believe it would be advantageous, as the new policies are put into operation, for each agency, the Forest Service and the Bureau of Land Management, to establish at the regional level at least a commission or tribunal to consider disputes and hardship cases, representation in which should be of qualified persons not directly connected with the principals in cases being reviewed.

Changes underway and Ahead. The revised grazing fee schedule comes at a time in the use of our natural resources when contending claims and claimants are pressing for a share in such use of the public lands. It is unfair to these to allow livestock grazers a major subsidy in a fee schedule far below the fair market value of the pasturage if a similar subsidy is not allowed these other claimants. Timber sales, for example, are made to the highest bidder.

A federal government searching every where for possible income has in the total subsidy of livestock grazing a considerable additional revenue source for the U.S. Treasury, to which the Government has a fair and just claim. Increasingly the other aspects of our natural resource program are being forced to generate out of users fees more of their costs of operations, and the grazing lands should not be given favored treatment.

The new fee schedule and range policies come at a time when the agencies administering these lands are beginning to launch a much more adequate range supervision and improvement program. Permits may be expected to undergo revision, even to including changes in carrying capacities of particular ranges, as such stepped-up range management policies and practices develop. Hence, it is imperative that the permit remain as it has always been, a priority claim for first consideration by the agency of the holder of a permit, but not some legal or implied ownership which the permittee may be allowed to include in the capitalization of his ranch with the approval of the government and the government must include in its several items which make up the basis for the levying of a grazing fee.

There is no reason for any further delay in applying the new fee schedule. It has been under active consideration for years. No new evidence is likely to be forth coming from any studies now underway. All parties at interest have had ample time and full opportunity to be heard, and their viewpoints have been duly considered. The fee schedule and plan of operation allow ten years of adjustment, during which revisions may be expected, a system of gradual change which works least hardship on individual permittees.

The main problems of grazers on the public lands are not found in any such fee increases as announced. They are elsewhere, in such matters as obtaining more rather than less range allotments, insuring the American consumers more rather than less beef foods, in producing beef profitably but at prices which consumers can afford.

A more satisfactory fee schedule will produce more income for the government, but grazers now suffering limitations of use of the range, and more such limita-

tions in prospect, should be reaching this Committee and the Congress with urgent requests that the additional income their grazing permits produce be devoted in the first instance to the range improvement which offers the best hope of stability and growth in the range cattle business. If sound tax policy stands against special earmarked uses of federal income, then the claim should be pressed for enlarged budgets for the Forest Service and Bureau of Land Management for range improvement work. For that way lies hope.

Senator CHURCH. Our next listed witness is Mr. Lloyd Sommerville.

STATEMENT OF LEONARD JOHNSON, ASSISTANT DIRECTOR, NATURAL RESOURCES DEPARTMENT, AMERICAN FARM BUREAU FEDERATION, ACCOMPANIED BY C. H. DeVANEY, ASSISTANT LEGISLATIVE DIRECTOR

Mr. DeVANEY. Mr. Sommerville had to go and catch a plane and was unable to stay. This is Leonard Johnson, assistant director of the National Resources Department of the American Farm Bureau. I am C. H. DeVaney, assistant legislative director. Mr. Johnson will summarize a few high points of our testimony but we would like to have it in the record as if read.

Senator CHURCH. The whole testimony will be in the record at this point.

Mr. JOHNSON. May I submit the Idaho Farm statement which I mentioned earlier?

Senator CHURCH. Yes, you mentioned that and it will be part of the record at this point.

(The statement referred to follows:)

STATEMENT OF ROY BRACKETT, CHAIRMAN SUBCOMMITTEE ON PUBLIC LANDS, IDAHO STATE FARM BUREAU

The authority for the following constructive testimony is our policy:

"We believe Congress and all federal agencies administering public lands should withhold any changes in basic policy fees and regulations, for use until the Commission (Public Land Law Review) has completed its report."

To say the least, this has not been done. This policy alone would be sufficient to oppose the grazing fee increase "order". The majority delegates representing nearly 1 million 800 thousand family memberships adopted the above policy at the Farm Bureau Federation convention in Kansas City, Missouri December 8-12, 1968. The Idaho Farm Bureau Federation with nearly 12,000 family memberships, is in complete agreement with this policy.

In reference to the November 15, 1968 quote from the Department of Interior, which said, "We want full industry and Public review prior to putting these regulations in effect," we submit this was not done. We are most grateful to the Congress for permitting the grazing fee issue to be discussed in public hearings. We appreciate the opportunity to "tell the story" so to speak, of the Western public lands by the private sector users. This is truly a highly important issue to the economy of the public land states, and indirectly very vital to the economy of the United States.

The economic effect on Idaho communities and ranchers may very well be disastrous. During the steps to the maximum grazing fee increase, Idaho will inherit a loss in rancher income because of the increased production cost which will certainly reflect on the economy of the State. The increased grazing fee doesn't assure a corresponding "prices received" increase.

Competent studies reveal if permit values are recognized as a cost present grazing costs on comparable Idaho public and private ranges have little differences, if any. Federal agencies and lending institutions through the years have recognized the value of permits when ranches were bought and sold. The schedule of repayment of loans by cooperative grazing associations to the Farm Home Administration will be jeopardized because the loans were calculated on present grazing fee structure.

Capitalized permit value losses for the ranching industry in Idaho and its direct effect on the economy would be in the millions of dollars. Using average public land permit value figures, Idaho has a conservative figure of \$30 million capitalization in permit values of sheep and cattle on BLM and Forest Service ranges. (AUM information supplied by BLM and Forest Service.)

Permits used as collateral for loans by lending institutions, government or private, may well be eliminated and of course the borrower will be in a weaker "pay-off" position. Future mortgages for ranchers—doubtful. An administrative ruling such as a grazing fee increase, with its magnitude of results should receive detailed study and research to weigh the benefits and disadvantages before enforcement.

Taxpayers will contribute more to maintaining federal lands as permittee fee revenue intake will decrease.

Increased fee costs to some Idaho ranches, where the return on invested capital is shown to be negative, will force these ranches out of business. We trust the poverty woes should not be intentionally multiplied. Millions of dollars are being funded to rural areas as a poverty eliminator.

The "multiplier" effect in loss to the economy of Idaho because of less spending from the ranching industry would be tremendous.

Consider the ranch real estate market value and its relationship to the county tax base. A decrease in ranch prices would result in a decreased local tax base. Idaho already has a real property tax struggle with two-thirds of the land area belonging to the Federal Government; we can afford nothing that would jeopardize the remaining one-third area used for local tax base.

Farm Bureau Policy is definite that the total study of the Public Land Law Review Commission be completed before any proposed grazing fee changes are adopted. What valid reason can be given for the Commission's study on the public lands phase if the Executive branch initiates changes relating to public lands before the Commission has made recommendations to the Congress from their exhaustive study?

The ranching industry and the government agreed on a study to determine if a fee increase was justified. In our opinion the study did not confirm the full increase as concluded by the agencies. Our studies would acknowledge an 11c increase on BLM land, but no increase on Forest land. It would only seem logical to wait and compare the Public Land Law Review Commission's grazing fee recommendation with that of the Agency grazing fee study to determine the final approach.

The Idaho Farm Bureau Federation endorses the testimony being presented by the Idaho Cattleman's Association.

Again, we appreciate the opportunity to express our views on this important and vital issue.

Thank you.

Mr. JOHNSON. Mr. Chairman and members of the committee, we appreciate this opportunity to present the views of the American Farm Bureau Federation on this subject. As an organization with a membership of 1,796,000 families, we have 306,000 families located in the Western States, which are of particular interest in this hearing.

We favor the multiple use of public lands. The Farm Bureau supported the formation and financing of the Public Land Law Review Commission. This commission was charged with the responsibility of making an exhaustive study of the public lands and recommending to the Congress changes in current legislation and regulations with regard to these lands. We have confidence in this commission and feel for a number of reason that the actions of the Secretary of the Interior and the Secretary of Agriculture in putting into effect a grazing fee increase which deals with a major public policy change was premature.

We concur with the observations of Chairman Church in his letter of December 13, 1968, addressed to Secretary Udall, with a similar letter to Secretary Freeman, when he stated:

Your recent announcement of the joint decision, taken by the Department of Interior and Agriculture, to raise grazing fees on BLM and Forest Service lands

from the current average rate of 33 cents per A.U.M. to \$1.23 per A.U.M. over the next ten years must represent the most drastic adjustment of grazing fees ever imposed.

The serious impact of the new schedule of fees on the livestock industry and the economies of the Western States fully justifies consideration by the Congress. Involved are many public policy issues, including the place of the livestock industry on public lands; what is reasonableness? What users should be afforded equitable treatment? And the effect upon the economy and upon the costs of managing these great and important land resources.

In compliance with the Budget Circular, No. A-25, an extensive grazing fee survey was conducted, which we have discussed and heard much of here in the last 2 days. Results of this grazing fee study, as reported to the livestock industry in Denver, October 11 and 12, 1967, indicated to us that a substantial grazing fee increase was under consideration. We conducted a number of meetings immediately, beginning in Salt Lake City in 1968, followed by many lesser meetings.

After discussing this with our membership, the American Farm Bureau filed a strong objection to the proposed changes in grazing fees, announced by Secretaries Udall and Freeman on November 14.

I am trying to brief this as rapidly as possible.

Senator CHURCH. I appreciate that.

Mr. JOHNSON. We have a considerable commentary here on the effect of the fee—let me just make this statement as it has been referred to.

The new rate schedule embraces a theory of gradualism by spreading the increase over a 10-year period. It has been stated that this would have no effect upon 25 percent of the small users for 4 or 5 years. This gradualism applies as an annual increase in the cost of operation, but what of the effect on the collateral value of the permit for agricultural finances which was placed under a cloud the day on which it was announced by the Secretaries?

Concern in this matter was appropriately expressed by a resolution adopted unanimously by the Farm Credit Board of Berkeley, Calif., at its regular meeting on December 17. May I read just one sentence;

Be it further resolved, That the Governor of the Farm Credit Administration be requested to use the influence of his office to assist in obtaining the decision of these orders and consideration of the grazing fee question in an orderly manner as suggested above.

It is interesting to note that the farm credit district of Spokane, of Wichita, and of Omaha, adopted similar resolutions. To the interest of the farm credit system should be added the lending operations of the Farmers Home Administration, commercial banks and the many local sources of credit financing range operations.

The final decision to establish a new fee schedule was one made at the administrative level. Those not privy to all the evaluations and objectives can only raise various questions. We ask these questions: If the objectives were to liquidate \$343 million of capital assets in permits outstanding, then this is well on the road to accomplishment.

If the objective was to bring economic pressure on small, medium-sized, and many large ranchers, the objective will be obtained unless action to the contrary is taken promptly.

If the objective is to reduce the capability of ranchers to invest private capital and personal incentives in better range management, that result will develop rapidly.

If the objective is to reduce employment on ranches and in rural communities of public land states, such results should be evident in 3 to 5 years.

If the objective is to place an increasing burden on public agencies for personnel and funds to manage lands, this objective will be attained as ranchers adjust to increased costs by withdrawing operations from thousands of acres of land but will be increasingly unprofitable as rates increase.

Because the announced grazing fee increase will have a serious and adverse impact upon the management and development of the public lands and upon the economy of the Nation, the Farm Bureau respectfully recommends to this subcommittee that the fee increase be rescinded until related studies of the Public Land Law Review Commission are available.

The Senate currently has before it two pieces of legislation dealing with this issue: S. 716 by Senator McGee of Wyoming and Senator Moss and others, which would require the consideration of a return on capital investments in permits as a factor of the cost of annual operation on public lands; S. 1063, by Senator Montoya, sets aside the decision of the Secretary of Agriculture and the Secretary of the Interior with regard to increased grazing fees and sets up machinery for considering these matters after January 1, 1961.

We believe both of these bills deserve consideration by the Congress. We concur in the objectives of both.

Thank you.

Senator CHURCH. Thank you very much for your statement.

Are there questions?

Senator Jordan?

Senator JORDAN. No questions.

Senator HANSEN. No questions, Mr. Chairman.

Senator HATFIELD. No questions.

Senator CHURCH. Thank you, gentlemen.

(The statement referred to follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION

We appreciate this opportunity to present the views of the American Farm Bureau Federation on the increased grazing fees recently put into effect for public lands.

Farm Bureau is the largest general farm organization in the United States, with member state organizations in 49 states and Puerto Rico. At the first of this year, total membership amounted to 1,796,641 families who are members of County Farm Bureaus in 2,808 counties. Of these, 306,761 families are located in the 16 Western states.

Farm Bureau members and leaders have followed with great interest the grazing fee study by the inter-agency committee of the Bureau of Land Management, the United States Forest Service, and the Economic Research and Statistical Reporting Service.

An extensive review of this study was made prior to the 1968 annual meeting of the member State Farm Bureaus.

Acting on recommendations of these state organizations, the voting delegates to the 50th Annual Meeting of the American Farm Bureau in Kansas City, Missouri, in December 1968, adopted the following policy:

"We favor the multiple use of public lands.

"It is the inherent objective of good farmers and ranchers to improve the productiveness of the land and related resources under their ownership and management. The same objective will be sought by farmers and ranchers in the

use of public lands if they are provided security of investment and constructive opportunity for sound economic use of capital and personal incentive.

* * * * *

We appreciate this opportunity to present views of the American Farm Commission. We hold that a comprehensive review of administrative practices, regulations, policies, and statutes relative to public lands is vital to the sound and effective use of these resources. We recommend that, as this study is conducted, full recognition be given to established state water laws. The conclusions and recommendations of the Commission are of vital concern to farmers and ranchers. We believe Congress and all federal agencies administering public lands should withhold any changes in basic policy, fees, and regulations for use until the Commission has completed its report."

The issues relating to public lands have been a vital part of American history. Strong forces, in many sectors of interest, have challenged each other in forging public policy, administrative procedures, the concepts of economic and political development of the region, transfer of portions of the federal public lands to state ownership or private ownership, permits for use, management responsibilities, and a multitude of other decisions.

Farm Bureau supported the formation and the financing of the Public Land Law Review Commission. This Commission was charged with the responsibility of making an exhaustive study of our public lands and recommending to Congress changes in current legislation and regulations with regard to these lands. We have confidence in this Commission and feel that the action of the Secretaries of Interior and Agriculture in putting into effect increased grazing fees on public lands was premature.

We concur with the observation of Chairman Church in his letter of December 13, 1968 addressed to Secretary Udall, with similar letter to Secretary Freeman, when he stated:

"Your recent announcement of the joint decision, taken by the Departments of Interior and Agriculture to raise grazing fees on BLM and Forest Service land from the current average rate of 33¢ per A.U.M. to \$1.23 per A.U.M., in incremental states over the next 10 years, must represent the most drastic adjustment of grazing fees ever imposed."

The serious impact of the new schedule of fees on the livestock industry of the Western states fully justifies consideration by the Congress. Involved are many issues including public policy as to the place the livestock industry holds in using the renewable resource of forage on public lands; what in fact is meant by the terms "reasonable fee charges" and "users be afforded equitable treatment"; and, furthermore, what opportunity is to be held open for a rancher-permittee to use his managerial skills and capital in carrying on a successful ranching enterprise.

It is our understanding that the guiding principles for all governmental user charges were set forth by the Congress in the Independent Offices Appropriations Act of 1952 (5 USC 140). The Comptroller General called attention in 1958 to the different methods then being used by federal agencies to set grazing fees. In 1959, a general governmental policy for all federal user charges was established and described in the Bureau of the Budget Circular No. A-25. In compliance with policy statements and directives from the Congress and the Bureau of the Budget, the Forest Service and the Bureau of Land Management assembled and pooled data and made an in-depth analysis of grazing fees. A technical committee of the Statistical Reporting Service, Economic Research Service, Forest Service, Bureau of Land Management, and Bureau of the Budget direct the effort. This study has added vital information to an analysis of costs of grazing on the public lands.

The magnitude of the study is understood in part when one realizes that 47,000 grazing permits are issued to farmers and ranchers by the two agencies administering national forests and public lands.

The intensive survey produced data needed to estimate grazing values on 98 national forests, 19 national grasslands, and 48 BLM districts in 17 Western states. Some 10,000 individual ranchers were interviewed in the survey, and more than 14,000 questionnaires were collected. Thirteen non-fee costs of using public and private lands were incorporated in this study. (Release of Nov. 15, 1968). In addition, there were contracts made with leading universities having competent range economists for evaluations of this data, to bring to the study the benefit of their technical competence and observations. Among these were Dr. Keith Roberts and Dr. Darwin Nielsen of Utah State University. We have found their studies very helpful.

Results of the grazing fee study, as reported to the livestock industry in Denver, Colorado on October 11 and 12, 1967, made it seem obvious that a substantial grazing fee increase was under consideration. The American Farm Bureau Federation called a special multi-state Farm Bureau grazing fee meeting at Salt Lake City, Utah on January 18, 1968. The Salt Lake City meeting provided an opportunity for background information to be given to State Farm Bureau presidents, other State Farm Bureau officers, and members of State Farm Bureau natural resources committees. This meeting had the benefit of information presented by Mr. R. M. DeNio, director of range management, U.S. Forest Service; Dr. Glen Fulcher, Bureau of Land Management; and Drs. Roberts and Nielsen of Utah State University. We have continued an active interest in the issue.

The American Farm Bureau Federation filed strong objections to the proposed changes in grazing fees announced by Secretaries Udall and Freeman on November 14, 1968. On December 20, 1968, views were more fully expressed in letters to Secretary Freeman and Secretary Udall. (Copies are attached.)

Economic studies are developed to provide factual information for making decisions. The grazing fee study served this purpose, but it should be understood clearly that disposition of the capitalized permit value was a primary objective. In the publication entitled "Studies, Alternatives and Recommendations On The Forest Service Grazing Fee Issue," dated November 12, 1968, the following sentence appears on page 1 of the summary:

"Disposition of this permit value per se is the most important aspect of the grazing fee issue."

One can raise serious questions about the relationship of lease rates on private lands to reasonable AUM rates on public lands. A computer may work out a comparative formula, but often a formula is more theoretical than practical. We believe time will prove this true in relation to grazing fees.

An examination of the government's grazing fee study findings reveals no appreciable difference between the cost of grazing public lands and the cost of grazing comparable private lands. Therefore, no fee increase is required in order to collect the full value of the forage used by domestic livestock. Competent economists who have examined the grazing fee study data agree that domestic livestock operators on public lands are currently paying the full value of the forage harvested.¹

A modest increase in rate per AUM would increase the cost of ranch operations. To double or quadruple the rate is a crucial action. Add to this the stated intention to liquidate about \$350 million of capital assets and you have catastrophe for many ranchers. On pages 11 and 12 of the previously mentioned report, the Forest Service made the following observations:

"The increased expense would lead to an equal decrease in net income, since ranchers gross income would not change materially."

"The reduced net income would be reflected in lower ranchers expenditures in the local economy. The size of the impact would be magnified by the multiplier effect of these expenditures."

"The disposition of the capitalized permit value is a very real consideration. This value is estimated at \$178 million. It is used as partial collateral for long-term mortgages having an estimated face value of \$330 million.

"A fee increase plus the loss of the permit value would affect the rancher and the lending institutions two ways. First, the increased costs without compensating returns would leave the permittee in a much weaker position to pay off his mortgage. Secondly, the loss of permit value would remove an asset previously used as collateral. In either case the permittee would experience difficulty in obtaining future mortgages. A loss of permit value now would leave many permittees with an outstanding debt for an asset that would no longer exist."

The figures quoted, we understand, reflect only Forest Service permittees so one can virtually double them to measure the full impact on the credit resources of ranchers using federal public lands.

The new rate schedule embraces a theory of gradualism by spreading the increases over a 10-year period. This applies as an annual increase in cost of operations, but the collateral value of the permit for agricultural finance was placed under a cloud the day the announcement was made by Secretary Freeman and Secretary Udall and thereby reduced to virtually zero in any appraisal for credit.

¹ Dr. Darwin B. Nielsen and Dr. Keith Roberts, "Position Statement on Current Grazing Fee Issues and Problems," Department of Agricultural Economics, Utah Agricultural Experiment Station, Utah State University, Logan, Utah. (Ag. Econ. Series 68-3, November 19, 1968—revised).

Concern on this matter was appropriately expressed by a resolution adopted unanimously by the Farm Credit Board of Berkeley, California at its regular meeting on December 17, 1968. The resolution was as follows:

"Whereas, This Board has been informed that the Department of Agriculture and the Department of the Interior have issued orders which will increase the grazing fees on public lands for the year 1969 from 33 cents per animal unit to 44 cents per animal unit per month, with further increases over a 10-year period until such fees reach the amount of \$1.23 per animal per unit per month; and

"Whereas, such increase in grazing fees will add substantially to the annual operating costs of ranchers being served by Federal land bank associations and production credit associations, resulting in even narrower margins of operating income or increasing operating losses now being suffered by many such ranchers; and

"Whereas, such increased costs and the adverse effect on operating margins may also adversely affect the credit quality of loans held by Farm Credit banks and associations;

"Now therefore, be it resolved that it is the view of this Board that the Secretary of Agriculture and the Secretary of the Interior should rescind the orders increasing these grazing fees on public lands and not take action with respect to grazing fees prior to the completion of a report by the Public Lands Law Review Commission, which commission has been appointed by the Congress and is now engaged in such review, and until the completion of any hearings by the Congress which might result from such commission report.

"Be it further resolved that the Governor of the Farm Credit Administration be requested to use the influence of his office to assist in obtaining the rescission of these orders and consideration of the grazing fee question in an orderly manner as suggested above.

"Be it further resolved that a copy of this resolution be sent to Mr. Paul Dobson, member of the Federal Farm Credit Board, and the chairman of the Farm Credit Board and the chairman of the President's Committee in the other Farm Credit districts which have within their borders substantial amounts of public grazing lands."

It is our understanding that resolutions of a similar nature were adopted by the Board of Directors of Farm Credit Districts of Spokane, Wichita, and Omaha. These four districts comprise those that serve the Western states in which grazing of public lands is important to the livestock industry. To the interest of the Farm Credit Systems should be added the lending operations of the Farmers Home Administration and commercial banks and local sources of credit.

The Forest Service went on to say:

"It is likely that an increase in grazing fees will cause a decline in cooperative work. Presently, Forest Service range permittees contribute about \$1.3 million a year in the installation, construction and maintenance of Federally owned range improvements. If Cooperative work declines, the Federal Government will bear the burden in some combination of the following ways: (1) increased appropriations for necessary range improvement construction and maintenance; (2) value of Federally owned land will decline due to deteriorating rangeland and watersheds; and (3) declining or lowering rates of use."

That these results are obvious is supported by a BLM and Forest Service regional study in 1961 indicating an average return on capital of cattle operations using public lands to be 2 percent and sheep operations of 2.6 percent. Costs and market competition have increased since that time. This hardly supports the contention of many non-ranchers that there is a cheap feed subsidy or windfall in the use of public lands under the present level of costs and risk on invested capital.

It is our view that the permit value reflects a monetary consideration for the capital improvements of the public range made largely by the rancher. It also reflects the quality of the range and also, of course, the privilege of use of the specific range involved. Federal agencies have approved not only the transfer from rancher to rancher but have approved the collateral commitment to lending institutions. In instances of withdrawal of public lands from continued use by a permittee the Congress has recognized that a situation existed in which the permittee should receive compensation for denial of use under the permit. An amendment to the Taylor Grazing Act, dated July 9, 1942 (USC 315q) provided that persons holding grazing permits or licenses shall be paid such amount as the head of the department "shall determine to be fair and reasonable for losses suffered by such person." This Act expired at the end of World War II but was

re-enacted in the same form in 1949. This involved lands withdrawn for war or national defense purposes but the value of a permit beyond the current grazing season was recognized.

On page 14 of the report entitled "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue", dated November 12, 1968, in suggesting seven alternatives for decision by the Secretaries, the Technical Committee's first alternative listed was as follows:

"Recognize the permit value as a cost to the permittee thus leaving the grazing fee essentially unchanged. (This would be in accord with the livestock industry position and recommendations of the Secretary's Advisory Committee on Multiple Use of the National Forests)."

The final decision to establish a new fee schedule was one made by the Administration at a high level. Those not privy to all the evaluations and objectives can only raise questions. If the objective was to—

1. Liquidate \$343 million of capital assets in permits outstanding, then this is well on the road to accomplishment.

2. Bring economic pressure on small, medium-size and many large ranchers, the objective will be attained unless action to the contrary is taken promptly.

3. Reduce capability of ranchers to invest private capital and personal incentive in better range management, that result will develop rapidly.

4. Reduce employment on ranches and rural communities of public land states, such results should be evident in three to five years.

5. Place an increasing burden on public agencies for personnel and funds to manage lands, this objective will be attained as ranchers adjust to increased costs by withdrawing operations from thousands of acres of land that will be increasingly unprofitable as rates increase. To this will be added increased fire hazard, poorer range for wildlife, and further decline of water resources.

Because the announced grazing fee increase will have a serious and adverse impact on the management and development of the public lands and upon the economy of the nation, Farm Bureau respectfully recommends to this Subcommittee that the fee increase be rescinded until the related studies of the Public Land Law Review Commission are available.

The Senate currently has before it two pieces of legislation dealing with this issue. S. 716, by Senator McGee of Wyoming, Senator Moss of Utah, and others, would require the consideration of a return on capital invested in permits as a factor in the cost of annual operations on public lands.

S. 1063, by Senator Montoya of New Mexico, sets aside the decision of the Secretary of Agriculture and the Secretary of Interior with regard to increased grazing fees and sets up machinery for considering this matter after January 1, 1971. We believe both of these bills deserve consideration by the Congress. We concur in the objectives of both.

NEWS RELEASE FROM THE AMERICAN FARM BUREAU FEDERATION

CHICAGO, ILL., December 22.—The American Farm Bureau Federation today asked that a proposed increase in livestock grazing fees on public land not be made until the Public Land Law Review Commission, established by Congress, completes its report on basic policy, fees and regulations. The Commission is expected to complete its report in 1970.

Charles B. Shuman, president of the Federation, has sent letters to Secretary of Agriculture Orville Freeman and Secretary of the Interior Stewart Udall reporting on the policy action taken by the voting delegates of the member State Farm Bureaus at the Federation's annual meeting in Kansas City, Missouri, in December.

The Secretary of Agriculture and the Secretary of the Interior on November 14, 1968, announced increases in grazing fees on public lands which in the next 10 years would amount to about 250 percent on Forest Service land and about 400 percent on Bureau of Land Management lands. In the joint announcement, the Secretaries requested comments and recommendations from interested groups on the proposed grazing fees. Shuman's letter was in response to this request.

The Federation president said that the grazing fee proposal will hit hardest against the small to medium-sized rancher as the ability of the larger operator to adjust is usually greater than the small operator.

Shuman also reported that government study figures show that users of grazing permits are receiving 2 percent or less on their investment. Over 50 per-

cent obtain between 1 percent and 3 percent, about one-fourth receive less than 1 percent.

He pointed out that the increase in fees not only raises annual grazing costs but has it seems, as its primary objective, the complete liquidation of capital assets valued currently at about \$350,000,000.

These increases of fee costs, coupled with other increases in costs of operations, he said, will result in the liquidation of probably 25 percent of the individual ranches now holding grazing permits and a resulting depressing effect on the local, county and state economy of 11 Western states.

Shuman further pointed out in his letter to the Secretaries of Agriculture and Interior that the private sector for over 25 years has used grazing permits for collateral of credit needed for ranch operations including the rancher's capital outlay for improvements on public ranges. The accrued value of the permits held by ranchers, he said, is reported in a recent study to total \$168 million on Forest Service and \$175 million on public lands, or a total of \$343 million.

"The increase in fee costs," Shuman wrote, "weakening of credit, lack of available capital for private investment in range improvement and lack of appropriations to the public agencies for range improvement, will force thousands of acres now grazed to become totally uneconomic.

"Cooperation and investment in range improvement by ranchers will be seriously affected. The reduced incentive for personal investment and cooperation in range management both for livestock and wildlife will be a serious loss to the total effort to secure good management of the public lands. It cannot be replaced by Congressional appropriations or additional public employees.

"The fee increase proposal places great emphasis on the comparison of grazing fees on public lands with fees paid for grazing on private lands, but little note is made that the study (conducted with the joint cooperation of the Bureau of Land Management and Forest Service together with the Economic Research Services of the U.S. Department of Agriculture) also reports that the cost of operation in grazing the public lands is often higher than grazing on private lands.

"Using fees paid for private lands as a basis for calculating appropriate fees on public lands leaves many questions unanswered and should have far more study. "The fee increase will present local communities with added economic problems, a result very much opposite to the objectives of the rural development effort being made by the Administration.

"Our voting delegates to the Federation's annual meeting in December in Kansas City, Missouri, adopted a policy on this matter which states:

"We believe Congress and all federal agencies administering public lands should withhold changes in basic policy, fees and regulations until the Public Land Law Review Commission has completed its report."

TELEGRAM SENT TO CHIEF OF U.S. FOREST SERVICE, EDWARD P. CLIFF, AND
SECRETARY OF AGRICULTURE, ORVILLE FREEMAN

The American Farm Bureau Federation strongly opposes major change in grazing fee policy on lands administered by the Forest Service as you have announced in joint release with Secretary Udall, November 14, 1968.

Major change in fee structure and policy should not be made until report and recommendations of the Public Land Law Review Commission are submitted to Congress and reviewed by parties interested in public land policy.

Strongly urge you not invoke proposed fee changes. Will file further views following annual meeting of delegate body of our organization.

CHARLES B. SHUMAN,
President, American Farm Bureau Federation.

TELEGRAM SENT TO SECRETARY OF THE INTERIOR, STEWART L. UDALL, AND DIRECTOR
OF BUREAU OF LAND MANAGEMENT, BOYD L. RASMUSSEN

The American Farm Bureau Federation strongly protests the proposed changes in grazing fees on BLM lands outlined in joint release with Secretary Freeman, dated November 14. This proposed major change in fee policy should not be made until report and recommendations of the Public Land Law Review Commission

are submitted to Congress and reviewed by parties interested in public land policy. Under privilege provided in proposed rulemaking published in the Federal Register, November 16, 1968, we shall file views within 45 days.

CHARLES B. SHUMAN,
President, American Farm Bureau Federation.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., December 20, 1968.

Secretary STEWART L. UDALL,
Department of the Interior

Secretary ORVILLE L. FREEMAN,
U.S. Department of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: The grazing fee study conducted with the joint cooperation of the Bureau of Land Management and Forest Service, together with the Economic Research Service of the Department, has been the subject of deep interest on the part of the American Farm Bureau Federation. In addition, study has been made of the reports of Drs. Neilsen and Roberts of Utah State University and the views of many other well-informed people. Thousands of ranchers who are members of State Farm Bureaus of the western states have been deeply interested and concerned.

In response to this interest the American Farm Bureau Federation called a special multi-state Grazing Fee Conference at Salt Lake City on January 16, 1968. Mr. DeNio of the Forest Service and Dr. Glen Fulcher of the Bureau of Land Management were present and made very helpful contributions to the Conference.

The joint press release of November 14, 1968 issued by you and Secretary Udall indicated that you were requesting comments and recommendations relative to the major increases in fees which you proposed to place into effect. Please consider this letter the response of the American Farm Bureau Federation to your request.

Since that date we have continued our analysis of available material and we have had discussions both with the membership and with knowledgeable persons outside our state and national organizations. The Elected Voting Delegates of the Member State Farm Bureaus to the 50th Annual Meeting of the American Farm Bureau meeting in Kansas City, Missouri, December 9-12, 1968, adopted the following policy:

"We believe Congress and all federal agencies administering public lands should withhold changes in basic policy, fees and regulations for use until the Commission (Public Land Law Review Commission) has completed its report."

In relation to the changes which you and Secretary Udall propose, may we make the following comment and observations:

1. The primary objective seems to be to liquidate any accrued value that exists in permits that the private sector buys and sells and often uses for collateral and established sources of credit needed for ranch operations including the rancher's capital outlay for improvements on the public ranges. This accrued value held by ranchers is reported in the study to total \$168 million on Forest Service and \$175 million on public lands, a total of \$343 million.

2. The proposed changes would increase user fees over 250 percent on Forest Service and 400 percent on public lands and an additional annual increase of \$7.1 million on Forest Service permits.

3. Inflationary forces already have placed a heavy burden on ranchers as it has all segments of the economy of this country. These proposed fee increases weaken the credit structure of the ranching operation, seriously reduces the value of base ranches and depresses the local, county and state economy.

4. Projections on the impact of this proposal by informed persons indicate that the increases in cost and lack of credit will force hundreds of small and medium-sized ranchers to liquidate. It will force all ranchers using permits to reconsider any further investment in improvement of base ranches and any future capital expenditures for improvement of the public range.

5. The study reports that users of grazing permits are receiving 2 percent or less on their investment. Over 50 percent obtain between 1.0 percent and 3.0 percent, about one-fourth receive less than 1 percent. Only about one-fifth receive over 4 percent. Nearly one-half of the users of permits are small to

medium-size ranchers with less than 1,000 AUMs for cattle and less than 1,000 AUMs of sheep.

The grazing fee proposal will hit hardest against the small to medium-sized rancher.

What may be called larger ranchers use only about 11 percent of cattle AUMs and 5.7 percent of sheep AUMs. The proposed increase will force the financially weak out of business because the ability of the larger operator to adjust is usually greater than the small and medium rancher. The small operators will bear the heaviest part of the burden.

6. The projected increase in receipts to the federal treasury may not be realized and it seems reasonable to expect that the state and county share (25 percent) will eventually decline. The increases in fee costs, weakening of credit, lack of available capital for private investment in range improvement and lack of appropriations to the public agencies for ranch improvement, will force thousands of acres now grazed to become totally uneconomic.

Cooperation and investment in range improvement by ranchers will be seriously affected. The reduced incentive for personal investment and cooperation in range management both for livestock and wildlife will be a serious loss to the total effort to secure good management of the public lands. It cannot be replaced by Congressional appropriations or additional public employees.

7. The fee increase proposal places great emphasis on the comparison of grazing fees on public lands with fees paid for grazing on private lands but little note is made that the study also reports that the cost of operation in grazing the public lands is higher than grazing on private lands. Using fees paid for private lands as a basis for calculating appropriate fees on public lands leaves many questions unanswered and should have far more study.

8. The fee increase will present local communities with added economic problems, a result very much opposite to the objectives of the rural development effort being made by the administration.

We would appreciate your serious consideration of these views and strongly urge that you not approve the grazing fee proposal you announced on November 14, 1968.

Respectfully submitted.

CHARLES B. SHUMAN,
President.

Senator CHURCH. In the interest of time, I am going to suggest that because there are numbers of witnesses here from individual Western States, that rather than have them come up singly and testify as they are listed, it would save time if we asked them to come up together and hear their testimony as a unit.

I hope I would not be thought to be abusing the prerogatives of the Chair if I called upon the Idaho people to come up next. They have waited a long while.

First of all, Larry Bradbury, Challis, Idaho, representing the Idaho Cattlemen's Association, and Walter Little, president of the Idaho Woolgrowers Association, and Gene Davis, of Bruneau.

STATEMENTS OF LAWRENCE BRADBURY, IDAHO CATTLEMEN'S ASSOCIATION, CHALLIS, IDAHO, AND WALTER LITTLE, PRESIDENT, IDAHO WOOLGROWERS ASSOCIATION

Mr. LITTLE. Sir, Gene Davis did not make it. He will not be here.

Senator CHURCH. Did Gene have a written statement that he would like to have submitted?

Mr. LITTLE. He will be here for the House hearing. I am sure he would like to have his written statement included in the record at that time.

Senator CHURCH. Fine. We shall hold the record of this hearing open for a 10-day period following the conclusion of the hearing itself. You will see that Gene gets that word?

Mr. BRADBURY. Yes, sir.

Senator CHURCH. Gentlemen, it is nice to welcome you to the hearing. Please organize your own presentation and proceed.

Mr. BRADBURY. Sir, first of all, I would like to display a map here, published by the Bureau of Land Management, a recreation map. I present it to show the interspersed public and private lands within our State. Our State is 65 percent federally owned. It is mostly in the southwestern portion. Primarily, BLM land is interspersed with private land, and the other is primarily Forest Service land interspersed with private land.

My name is Lawrence Bradbury, first vice president of the Idaho Cattlemen's Association and a rancher at Challas, Idaho. I represent the Idaho Cattlemen's Association and 3,008 users of Federal range in Idaho. We fully endorse a broad concept of multiple-use and we further believe in a just and equitable grazing fee, and equitable treatment for all paying users of Federal lands.

The livestock industry, according to a report from the department of commerce and development, State of Idaho, ranks in cash receipts as follows: Agriculture, \$560 million; manufacturing, \$534 million; forest products, \$250 million.

The larger divisions of Idaho agriculture are divided as follows: Cattle, \$126 million; potatoes, \$88 million; wheat, \$71 million; dairy, \$58 million; sugarbeets, \$39 million; sheep and lambs, \$19 million; and Idaho ranks 24th in the Nation in the production of cattle. Approximately 65 percent of our State is federally owned.

The Bureau of Land Management and Forest Service and the National Livestock Associations agreed to the 1966 statistical reporting survey study and the 15 cost items that were included. The livestock industry through its organizations and individuals cooperated to the fullest extent in the collection, from 10,000 ranchers, of the basic data that made the 1966 survey, conducted by the Statistical Reporting Service, a sound study when all factors are considered. We do not agree with the proposed fee increase for the following reasons: 1. The permit value was not considered in the final establishment of the new proposed grazing fee formula. It was included in the original questionnaire. Many governmental and other agencies recognize that a permit has value. The Internal Revenue Service, for estate tax purposes, money lending institutions, and banks, and permits are bought and sold in legal transactions. The Congress of the United States in the Engle Act of 1942 provided for repayment of value of grazing permits when the land was withdrawn for military purposes. For approximately 10 years, Utah State University researchers (summarized in Hooper, 1967 and Nielsen and Roberts, 1968) have contended that permit values should be included in the cost of grazing public lands. Quote:

Through this research it was determined that the total costs of grazing comparable public and private rangelands were statistically equal in Utah. The equality exists if permit values which are owned by ranchers and bought and sold in the market are recognized as a legitimate cost of ranching. Under these conditions fee increases are not warranted. The two departments refuse to recognize the reality of the permit value in the present situation hence they justify a fee increase.

Further, we must recognize that these public lands, particularly Bureau of Land Management lands, were the least desirable or most unproductive lands that were left by the homesteader. Also, controlled

livestock grazing is the best management tool we have, and livestock grazing helps control fire hazards.

We also object to the forage index factor that was injected in the new grazing proposal because it is, in effect, an escalating clause whereby increased grazing fees will create more demand and higher rates for private land which will then be a factor in raising grazing fees still further.

As an example of this, we had a drought in 1965, and in that year, private forage prices went from \$3 to \$7 a range as a result of the drought. I am not sure of how this index factor would operate in the case of the draught, but the demand for private forage will certainly increase as a result of this higher grazing fee and it will just escalate.

The economic impact of this proposed grazing fee is very difficult to put into a dollar and cents figure at this time. It is also difficult for us as cattlemen to follow the intent of the joint Secretaries' decisions to raise the grazing fees to a confiscatory level, unless they wanted to eliminate domestic grazing from public lands and deal a death blow to the domestic livestock industry. Mr. John Carver, Jr., Assistant Secretary of the Interior at the 22d annual meeting of the National Advisory Council, Albuquerque, N. Mex., February 19, 1962, made in his concluding remarks, and I quote:

1. There is an affirmative responsibility on the part of the Secretary of Interior to consider the adequacy of existing fees and related factors bearing upon fee-fixing responsibility imposed by the Taylor Grazing Act.

2. The situation of the users has to be taken into account and particularly the capitalized value of the Taylor Act priorities and fee levels. Rising fees without adequate consideration of this would result in confiscatory action.

The economic impact on the smaller rancher—50 head of cattle or less—will be much greater than on the larger operator. About 60 percent of our permittees, in Idaho, are in this category. The Federal Government through FHA loans and programs and through ASCS poverty programs have recognized the economic plight of rural areas and have programs to maintain the small family farm. The proposed grazing fee increase is in direct conflict with these and other Government programs.

As a part of the grazing study the analysis of the impact of different grazing fee levels was contracted to Dr. Darwin Nielsen of Utah State University for analysis of actual impact within the States of Utah.

Dr. Nielsen's study shows that in Utah the increased fees would take \$434,089 from the ranchers in additional grazing fees; \$12,936,156 in loss of permit value and \$868,178 in secondary losses on the local economy annually. Also, I refer to a study by Bromely, "Economic Importance of Federal Grazing", department of agriculture economics Oregon State University, which shows the multiplier factor for the dollar from dependent ranches and other agriculture, to be highest of 14 businesses studied and vary comparable to the Utah study.

It appears that it is not necessary for revenues to accrue directly to the Federal Treasury. We feel that these figures are equally applicable in Idaho and that the loss of income of this magnitude would bring economic disaster to cattlemen and businessmen on Main Street of small communities throughout the State.

According to the Associated Taxpayers of Idaho, one generating dollar spent in local business on Main Street in Idaho multiplies nine

times before it leaves the community. A bulletin published by the University of Washington in cooperation with the USDA, January 1966, entitled, "Economic Development of the Columbia Basin Project, Compared With Neighboring Dry Land Area," indicates as follows:

[Per 10,000 acres of cropland]

| Indicator | Project area | Comparison area | Ratio |
|--|--------------|-----------------|---------|
| Population..... | 1,900 | 110 | 17 to 1 |
| Business establishments..... | 48.1 | 2.8 | 17 to 1 |
| Workers ¹ | 480 | 22 | 22 to 1 |
| Wages..... | \$2,170,000 | \$110,000 | 20 to 1 |
| Property tax base ² | \$2,570,000 | \$400,000 | 6 to 1 |
| Postal receipts..... | \$16,700 | \$960 | 17 to 1 |
| Retail sales tax collections..... | \$112,000 | \$6,470 | 17 to 1 |
| Business and occupation tax collections..... | \$25,100 | \$1,320 | 19 to 1 |
| Federal income tax payments..... | \$714,400 | \$41,300 | 17 to 1 |

¹ Does not include farm operators.

² Data for 1962.

Mr. BRADBURY. You will notice the range of increase is very substantial; also local taxes, Federal taxes, and so on.

The end product of this generator process is reflected in local community and county taxes, State and Federal income taxes. The shunting of these generating dollars in direct payments to the Federal Treasury, in additional grazing fees, before they are allowed to generate wealth at the local level, is not an economically sound business practice to help keep the local economy alive and prosperous.

I would also at this time like to point out that grazing fees are only one charge that is incurred by range users on Federal lands. Administrative officials can and do continually make decisions that are added costs to operators, which were not included in the 1966 survey. Some of these items are: trucking cattle to and from ranges instead of trailing; dye branding; ear tagging; fence maintenance; changes in grazing seasons; and, particularly, short-term amortization of range improvements placed on Federal land by permittees. As long as administrative officials have the authority to make these decisions that take dollars from the pocket of the permittee, they should be recognized as pertinent additional costs of operating on Federal land, and if not, it will be impossible to know what the cost of our grazing fee will be from day to day.

One of the most encouraging and enlightening aspects of the use of Federal Land has been the cooperative range effort that has brought about the rehabilitation of thousands of acres of rangelands in Idaho. The basic practical research conducted by Gus Hormay, formerly with the U.S. Forest Service, and now with the Bureau of Land Management, Dr. Lee Sharp of the University of Idaho, and Dr. Wayne Cook, formerly of Utah State University, have laid the groundwork for this cooperative effort.

This program has been beneficial not only to the grazing of livestock, but equally beneficial to watershed, wildlife habitat, and esthetic values. Good cattle on well-managed ranges have an esthetic appeal that is enjoyed by thousands of people traveling in Idaho each year.

The work of the above-named researchers has proven that well-managed livestock are the most economic means of tilling, reseeding,

rehabilitating, and harvesting our renewable resource of grass on both private and Federal lands. The continuation of this program depends upon the good mutual understanding between progressive-minded Government officials and practical stockmen who are willing to match their "earned" dollars with the Government "appropriated" dollars to do the job of improvement that must be done.

The Bureau of Land Management, Idaho State Office, shows contributions by range users during the past 5 years totaled \$958,785. "B.L.M. Facts, Idaho 1967-68," page 6, shows that in the fiscal year 1968, \$1,067,500 was to be spent on Federal investments in range construction and development. The State office advises me that this figure includes watershed protection and game range development. My point is that approximately every 5 or 6 years we pick up the tab for 1 year's operation of range, watershed and gave range improvement, plus paying our grazing fees each year. Idaho permittees paid \$218,334, in cooperative money on U.S. Forest Service programs during the past 5 years. The present decision on grazing fees, if carried out, will probably eliminate this private cooperative contribution and effort.

Just before I left Idaho, the assistant supervisor of the Challis National Forest informed me that of 14 cooperative programs that they had scheduled for this year, the livestock permittees have rejected 13. This in turn will require the Government to increase its appropriations for this improvement work. Private individuals can accomplish greater returns for their dollars spent than can Government programs. Cooperative projects insure that the Government dollars will be spent wisely and efficiently.

We in Idaho have formed a special Range Use Coordinating Committee composed of one regional representative from the Forest Service, one from the regional research arm of the Forest Service, BLM, Idaho Fish and Game Commission, deans of the Colleges of Agriculture and Forestry, University of Idaho; two from the cattle industry and one from the woolgrowers. The purpose of this committee is to discuss and coordinate the uses of Federal lands.

We have found our goals all in the same direction and find our greatest problems can be traced to lack of understanding of each other, and that recognition has not been given to reports of the various research people in our western universities. I am sure we can find an agreeable solution to the multiple-use problems that will be beneficial to all people including those outside Idaho.

No one has more interest in the wise use of natural resources than today's modern ranchers. Ranchers of today are much different than their forefathers. Many are college graduates and participated in the same range management classes as did their counterparts who went to work for the Federal Government after graduation. Those who went back to the ranch chose to do so probably because they were needed on the ranch, or they liked ranching as a way of life in which to raise a family. They have their roots deeply imbedded in the soil. The future of the livestock industry and preservation of the rangelands depends upon this type of individual.

Probably the biggest problem in agriculture today is the fact that we are exporting our most important product, our farm youth, to the cities. The security of higher earning opportunity in urban America is attractive to our educated farm youths and they are going into

other fields of employment. Many legislators have spoken and written on this subject. The last census, 9 years ago, told us the average age of our farm owners was 58 years. If young people are to carry on to produce food and fiber, invest capital in Federal and private land, they must be assured of an economic outlook that is reasonably sound.

Grazing fee increases of up to 400 percent and its impact on our cost of doing business does not assure a realistic future in the use of Federal lands for grazing. The ability to finance range livestock operations has already been seriously hampered by the joint statements of the Secretaries to raise grazing fees.

Our local Federal land bank manager has informed us that his bank considers the full \$1.23 charge to be in effect immediately, as far as our loans are concerned. This has resulted in a discount of ranch loan values of 10 to 20 percent according to the percent of dependency on public lands.

Finally, the members of the Idaho Cattlemen's Association feel that the proposed grazing fee announcement at this time covering a 10-year period is preempting the more detailed study of the whole matter of Federal lands by the Public Land Law Review Commission. We strongly urge the rescinding of the order to increase grazing fees over and above those justified by the statistical survey.

I would like to leave with you a copy of this map showing public lands in Idaho, hoping it will help you understand the impact of public lands on our economy. Also a photocopy of a permit showing the authority of the agency to include special conditions.

I have here a copy of a cooperative agreement. It is a Government Form 8220-2. This is actually a copy of a cooperative agreement initiated between Mr. John Pierce of Malta, Idaho, and the Bureau of Land Management.

Mr. John Pierce agrees to furnish one-quarter of a mile of plastic pipe and install at a cost of \$250, furnish a trough and installation at a cost of \$60. The Bureau of Land Management contribution to this improvement is marking and inspection, \$20, for a total cost of \$340.

Then, in the language of the permit—I will not read it in its entirety, but I will point out clearly the risk involved to the permittee when he enters into one of these agreements:

Upon notice, either orally or in writing from the authorized officer of the Bureau, cooperator will promptly supply labor, materials, and equipment as specified in paragraph 3 (a) as required.

Contributed materials in excess of the amount required shall be returned to the contributor. Equipment contributed shall also be returned promptly following completion of the work. Work will be conducted under the supervision and direction of the authorized officer and shall be pursued with diligence until completed.

Then it goes on to mention that the cooperator is liable for the repair and maintenance, and then it lists certain penalties if he does not maintain this. Probably the most serious is that if any permit, license, or lease, or renewal thereof issued to the cooperator and administered by the authorized officer of the Bureau, and in connection with these improvements are constructed, shall not be renewed or extended, or any assignment thereof shall not be approved, and that such default may result in cancellation of the permit or license as provided in the Federal Range Code for Grazing Districts, and so on.

In other words, when this appears to be invested at the cost of \$310 to him in the sense that he put the value of his entire grazing permit on the line if he did not maintain the improvements.

Then paragraph 5 says that it is further agreed:

(a) Title to the said improvements in place, together with all labor and materials furnished by either party and used in the construction and maintenance thereof, shall be in the United States of America.

I do not think that—I think that is clear in itself, but he enters into this realizing that this would be the property of the United States.

Under "Special Conditions" paragraph 1—this is typed at the discretion of the range manager—it says that the cooperator's right for compensation for his interest in the project will terminate after 10 years from the date of this agreement. After this period has elapsed, he will have no claim to any of the residual value of the improvement.

An improvement of this type, when it is put in, if it were put on a private land and put on a depreciation schedule, we would have to depreciate it over a period of 20 years.

Senator CHURCH. We will hold the original agreement in the files of the committee.

Mr. BRADBURY. Also, I have another statement from the Custer County Marketing Association that I would like to submit for the record.

Senator CHURCH. That will be included in the record at this point. (The statement referred to follows:)

STATEMENT OF THE CUSTER COUNTY LIVESTOCK MARKETING ASSOCIATION

We are going to write about an area of Idaho known as Custer County. Located in the central part of Idaho it is the third largest county in the State of Idaho; bigger than many states in the east. It is also one of the poorest counties in the state of Idaho. Why? The U.S. government owns 93% of all the land in Custer County. There are some 295 farms or ranches in Custer County, nearly all of which are dependent upon livestock as a part or all of their livelihood; and as a result of the government owning 93% of all the land, most all of these ranches are dependent upon public grazing lands to make their living.

In the years of 1960-61-62-63, a Ph. D., Roland Bevan of the University of Idaho Agricultural Economics College, did a detailed study of cost and returns to Mountain type cattle ranches in Custer and Lemhi (an adjoining county). According to Dr. Bevan's research; after charging \$4000 per year for operators, management and labor, the returns to capital investment for 63 years were 4%, for '62" 4%, 61—3%, 60—.6%, average for 4 years being 2.9%.

Some pertinent facts you should be aware of are: these figures are averages for 24 ranches of bigger than average size. \$4000 is not a fair wage to deduct from net income in order to calculate return on investment. A figure of \$6000 is more realistic and would further reduce the return on investment. These ranches were capitalized at \$250 per cow unit. Current selling prices would command \$600 per cow unit. This would further reduce return on investment. In fact it can be shown that these ranchers are foregoing any sort of return on investment in exchange for a decent wage. In short, a wage is all they are earning even though they have an actual investment of \$154,250 when capitalized at \$250 per AUM realistically speaking at (\$500-\$600 per unit). They have a \$300,000+ investment and are making no return.

Now the USDA and Department of Interior are trying to force them to operate at something less than even desirable wage levels by increasing grazing fees.

There is no place else to run these cattle. Remember the government owns 93% of the land.

Idaho is a rural state, agriculturally oriented and livestock dependent for close to 2/3 of her generated wealth. There are other states of the 11 western with a similar story.

Recently an article was brought to our attention in which the very foolish editor proclaimed that this grazing fee business would effect some 590 of the

people in the west. Well, here in Idaho if the rancher doesn't make money neither does anyone else. The storekeeper and the businessman are affected by this too in the rural agricultural states.

Any person with a basic working knowledge of economics and agriculture can prove that the profit margin is greater on private pasture than on public grazing lands. But this is of no benefit when 93% of the land is publicly owned. There is no more pastureland in Custer County.

One of our members who is incidentally one of the more progressive ranchers in 1969 had a taxable income of \$1900 which he cleared in 1968. He runs 225 cows on Forest Land.

Another member used to run 360 cows on the forest grazing lands. Today he runs 170 cows right at home. His income is for all practical purposes the same. He would like to sell out so he can use the money to send his children to college.

All of our members feel that this increase proposal is simply another move to "crowd them out." Yet it can be shown, beyond any doubt, that properly grazed land will produce more forage for livestock and wildlife and at the same time do a much better job of erosion control and protection of natural resources.

What do the people of the United States want for free? We are doing this conservation job according to government rules and paying for the privilege.

In short if we are removed from the area, as we may well be, if this 400% increase is allowed, WHERE DO WE GO? What do we do after we get there?

Senator CHURCH. Does that complete your statement?

Mr. BRADBURY. Senator Church, the livestock industry of Idaho is very appreciative of the interest you and your committee have shown and the time you have given to consider this very vital problem.

Thank you, Mr. Chairman.

Senator CHURCH. Thank you for your statement.

Walter, do you have a statement you would like to make at this time?

Mr. LITTLE. Mr. Chairman, I have a short statement here.

My name is Walter E. Little. I am a member of the Idaho Legislature and president of the Idaho Woolgrowers' Association. I am a livestock operator and graze both sheep and cattle on public land that my father used before it was under BLM or Forest Service management. I appear here today on behalf of the people of Idaho, the Legislature of Idaho, and the Governor of Idaho to express our deep concern over the grazing fee increases ordered by the Department of the Interior and the Department of Agriculture to graze livestock on BLM and Forest Service lands.

Idaho communities and ranchers will receive a serious economic "blow" if the new grazing fee regulations recently announced by the Department of Agriculture and the Department of the Interior of some 300-percent increase over the next 10 years are left in effect. This must represent the most drastic adjustment of grazing fees ever imposed.

Let's briefly look at the State of Idaho so you can better understand our concern. Over two-thirds of the land in Idaho is federally owned. The range livestock industry is the No. 1 industry in Idaho in dollar volume, making up 30 percent of the total production of our State. Over one-half of the livestock in the State of Idaho graze on the public lands at one time or another during each year. Grazing fees are a matter of prime concern to the range livestock operators.

Idaho has less than a million people, yet 9.1 percent of the total animal unit months for cattle and sheep on Federal lands administered by U.S. Forest Service and the Bureau of Land Management are in the State of Idaho. This equals 1,954,147 AUM's. Range livestock operators in Idaho are dependent upon the availability and use of the

Federal grazing lands to supply feed and water during those periods when these are not available on the private lands. The utilization by livestock of the forage growing on the Federal lands and its conversion into food and fiber results in the creation of original wealth, a local, State, and National benefit. The ranchers' income from this production is the source of the taxes he pays to the school districts, cities and counties, State, and Federal Government, and also for his purchases that are so vital to the local communities in Idaho.

Grazing use of these Federal lands is the only economical way to harvest the forage from these lands in conjunction with private lands to form a year-round livestock operation to produce food and fiber that contribute to the State and Nation's wealth.

Mr. Chairman, we have taken a quick look at the State of Idaho, so I would like to point out some of the problems facing the livestock operators in our state at this time. We have been receiving about 70 percent of parity for our products for many years, yet the cost of operation has gone up continuously. Many small livestock operators have only been able to survive by working at other jobs part time and by being able to borrow more money on their private land. It seems there is great concern about the migration of people from the farms and rural communities to the already overcrowded cities. The fee increase, if left in effect, will only accelerate this movement.

Mr. Chairman, the people of Idaho support the multiple use concept of the public lands of our state. With less than one-third of the land of our state in private ownership, we need timber production, water for irrigation, mining and recreation, along with grazing, to aid the economy of our state. These all have a very important part in our overall economy. It is our hope that grazing use will not be jeopardized by an increase of up to 300 percent in grazing fees.

In Idaho we have many grazing associations that were financed by the Farm Home Administration to purchase additional grazing on both private and Federal lands. Their repayment ability was figured on the old fee schedule. The fee increase will assure the inability of these people to repay their loans.

Mr. Chairman, there seems to be the question in the minds of many people, "Do the Secretaries of Agriculture and the Interior have the authority to raise grazing fees in this magnitude, or is this the duty of Congress?"

Many people in Idaho not in the range livestock business are very much concerned, and at this time I would like to read a statement from the Governor of our State, since he is unable to be here and asked me to present it for him. I shall not read his statement.

I also have a joint memorial from the Idaho Legislature which I would like to present to you, which received the unanimous vote of both the house and the senate.

Senator CHURCH. Both the statement of the Governor and the memorial of the legislature will appear at this point in the record.

(The documents referred to follow:)

STATEMENT BY HON. DON SAMUELSON, GOVERNOR OF THE STATE OF IDAHO

We in Idaho are greatly encouraged by the interest that is being generated and the concern shown over the proposed increase in grazing fees on Federally owned lands. The scheduled hearings give us renewed hope in our system of

government whereby each and every one of us have an opportunity to express our opinion regarding the management of our heritage.

When the proposed increases were announced our livestock operators expressed deep concern. It appears that the studies conducted by the Economic Research Service determined the fees paid for grazing on private land, and subsequently used as justification for the proposed increases, had not included several cost items of significant importance when arriving at this figure. I am sure that most of the statements you have received objecting to fee increases have emphasized these points.

Many of Idaho's livestock operations are only a part of an over-all agricultural enterprise and are a supplement to these enterprises. They can be classified as family sized units. The proposed grazing fee increase appears to be inconsistent with the professed national agricultural policy. It has been stated many times that we need to support and maintain these family size operations. In addition, many federal programs are now in effect and much money has been appropriated to accomplish this fact by aiding these good people in their endeavors.

One of the programs of the U.S.D.A. Farm Home Administration is to encourage, assist in and finance cooperative grazing associations. Many of these associations have been formed and most of them will obtain much of their grazing from federally owned land. The schedule of repayment of these loans has been calculated on grazing fees in effect at the time these loans were made. They are repayable over a very long period of time. It is very probable that many of them would have been classified as economically unfeasible if the proposed fees for grazing on Federally owned land had been used in calculating the annual charges required to pay out on these loans. The increased cost will undoubtedly place many of these loans in jeopardy and could be responsible for the failure of these endeavors that were fostered, encouraged and implemented by our own U.S.D.A.

Another point of concern here in Idaho is the great lack of information concerning the economic impact these proposed increases will have on our communities, counties and state. You are aware of the large percentage of the lands in our state that is Federally owned and therefore under the jurisdiction of the Forest Service and the Bureau of Land Management. Also, I am sure you realize that agriculture is our largest single industry. We feel that this economic impact information should be gathered and thoroughly studied before an increase in grazing fees becomes effective.

Our own land grant institution, the University of Idaho, was awarded the contract to study forages on public lands in the western states and prepare a forage recommendation report for the Public Land Law Review Commission. This report will be completed in April of this year. It appears that action taken as planned by the respective agencies before this report is analyzed would be presumptive and premature.

We often hear the comment that livestock operations are not paying their fair share for the use of our publicly owned lands and are using these lands at the expense of the general public. It is our opinion that these statements are being made by single-use groups who do not individually pay for the use of these lands. Congress and the nation needs to know that proper range management does not only benefit the livestock interests. It also means better forage and cover for wildlife, less concentrated use by livestock in areas where wildlife and human use is needed and is a sound tool for forage or range fire prevention or control.

I extend to you a cordial invitation to visit our state and determine personally what our problems are. We would like to have you observe firsthand what has been accomplished by our livestock people. They have assisted greatly in the improvement of these range lands and made them more desirable and more useful to the nonagricultural public. Statistics will bear me out that the roads, range improvement practices and cultivated land developments have made our remote lands more accessible and the wildlife population has measurably increased in an overall sense.

Again I stress the point that Congress has appropriated considerable funds for the purpose of determining the best use and management of all Federal lands through the various committees of the Public Land Law Review Commission. I respectfully request and urge that the grazing fee increase be held in abeyance until this Commission has made its recommendation.

Thank you for the opportunity to present this statement.

HOUSE JOINT MEMORIAL NO. 3—BY WAYS AND MEANS COMMITTEE,
LEGISLATURE OF THE STATE OF IDAHO

To the Honorable Senate and House of Representatives of the United States in Congress Assemblies:

We, your Memorialists, the Senate and House of Representatives of the State of Idaho assembled in the Fortieth Session thereof, do respectfully represent that:

Whereas, the range livestock industry is a major industry of the State of Idaho; and

Whereas, the public lands comprise at least two-thirds of the land area of the State of Idaho; and

Whereas, the range livestock industry is dependent upon such public lands for grazing; and

Whereas, the proposed increased grazing fees upon such public lands shall cause great economic hardship and business failures within such range livestock industry.

Now, therefore, be it resolved by the Senate, the House of Representatives concurring, that we most respectfully request that the Congress of the United States direct and require the Department of Agriculture and the Department of Interior to hold in abeyance all increases in the rates to be charged as grazing fees upon the public lands until such time as Congress has had sufficient time to study and review the final report of the Public Land Law Review Commission.

Be it further resolved, that the Clerk of the House of Representatives be, and he is hereby authorized and directed to forward copies of this Memorial to the leadership of the Senate and House of Representatives of the United States, and to the members of the Idaho Congressional Delegation.

Mr. LITTLE. Mr. Chairman, in summary, we would refer to section 3 of the Taylor Grazing Act providing for the establishment of "Reasonable fees." We contend any fee that will jeopardize the economy of Idaho is not reasonable.

We appreciate the opportunity to be present at this hearing to express our views about the new regulations.

We hopefully anticipate favorable results from this hearing.

Mr. Chairman, I certainly want to thank you on behalf of the people of Idaho for the opportunity to be present and to be heard at this meeting. If there are any questions, I shall be glad to answer them.

Senator CHURCH. Thank you for your statement.

Dave, do you have a statement you would like to make at this time?

**STATEMENT OF DAVID FULTON, PRESIDENT, TRI-COUNTY
CATTLEMENS' ASSOCIATION, IDAHO**

Mr. FULTON. Distinguished chairman, distinguished members of this committee, I have a factual study here which I believe needs a little bit of clarification.

To the front page, I hope you will add, my name is David Fulton; I am a livestock man first, I am an income tax consultant second. Much of this report deals with the former study made by Dr. Roland C. Bevan and of the Economics Department of the University of Idaho. I would ask that this report be presented as a preamble to mine.

Senator CHURCH. This report will be made a part of the record at this time.

(The report referred to follows:)

IDAHO AGRICULTURAL RESEARCH PROGRESS REPORT

COSTS AND RETURNS TO MOUNTAIN TYPE CATTLE RANCHES IN CENTRAL IDAHO IN 1963

(By Roland Bevan, Agricultural Experiment Station)

The year 1963 was the fourth and last year of this project wherein costs and returns were obtained from cattlemen operating ranches in central Idaho.

Progress Reports summarizing earnings for this group of ranches for 1960, 1961 and 1962 have been issued previously. This cost and return data will be used to compare alternative plans and practices for typical ranches in the area as an aid to decision making for cattlemen. The production requirements shown herein can be applied to other areas in the state as well as to central Idaho.

Constantly changing conditions force a cattleman to continually alter the resources he combines in search of the highest profit combination. This research project is planned to aid him in comparing the alternatives that are available to him.

Ranches studied

All of the ranches studied are in Custer and Lemhi counties in east central Idaho. This is an area of narrow mountain valleys with foothills and mountains rising up from the valley floor. The elevation of the valleys ranges from about 4,000 to 6,000 feet, while the mountain summits will be mostly 8,000 to 10,000 feet. Mount Borah, the highest point in Idaho, is in the southern part of the project area.

Typically, these ranches use "outside" range in the spring at the lower elevations, and graze the higher ranges in summer. These range lands are supervised by the Bureau of Land Management and the Forest Service. An average of 4 months of "outside" grazing is used in the May to September period. This is supplemented with pasture and hay aftermath on the home ranch in the valley.

Of the 24 ranches included in 1963, 11 are classed as cow-calf operations, 2 as cow-yearling and 11 sold both calves and yearlings. In size, they ranged from 73 to 744 cows with an average of 231 cows. In animal units, they ranged from 84 to 1,014 with an average of 307. The definition for an animal unit in this case is that used by the Forest Service and Bureau of Land Management for range use. All animals except unweaned calves are counted as an animal unit. Ranches with less than 150 animal units were classed as small ranches, those with 150 to 300 animal units were classed as medium-sized, and those with over 300 animal units were classed as large units.

As a group, these ranches were larger than typical and they were operated with superior management. The average returns for this group were therefore greater than the average ranch in the area. Even though this is true, the average of the group can be a good standard of comparison or a goal for other ranchers operating under similar conditions.

The tables presented give costs and returns for all the ranches in the study and also for the 5 most profitable and 5 least profitable ranches. These last 2 groups include the 5 ranches with highest and the 5 ranches with lowest returns to capital and to operator's labor per cow. In both cases, they include the same ranches throughout the report. The first column headed "Your Ranch" consists of blank lines where any rancher may enter his own figures for comparison with the average of this group.

How returns are measured

Two measures of return are shown. These are:

1. *Net Cash Income*, which is the cash farm income less the cash farm expenses except interest. This amount is used by the rancher to pay living expenses, income taxes, interest on debts, for new capital investments, savings and to cover depreciation and inventory change. It is income available to him, but it does not represent the true earnings of the ranch. It does not consider all income or credits, nor does it consider all expenses or charges.

2. *Return to Capital and to Operator's Labor*, which is the amount remaining after all incomes are considered and after charges are made for all items of cost except the operator's labor and interest on the capital investment. Neither a rancher's labor nor his capital is guaranteed a fixed return. Instead, they retain what is left after all expenses are paid. Return will vary with the profitability of the business. A rancher is like any other businessman in this respect. This measure of return is the amount remaining for the ranchers combination of labor and capital resources.

The cooperating ranches received an average of \$8,547 as the return to capital and to operator's labor in 1963. *This represents a low return on their labor and capital. If we assume that this consists of a \$4,000 return to labor, the residual remaining for capital is \$4,547.* This represents a return of 2.2% on the capital investment. With a business of this size, an average capital investment of \$155 thousand, the \$4,000 figure is a very modest return to the operator for his labor and management.

Compared to the 3 preceding years, this return is the lowest in the 4-year period, although it is only about \$200 below the average for 1961. The average return to capital and operator's labor was \$8,938 in 1960, \$8,779 in 1961 and \$9,894 in 1962. It appears that returns in years immediately following 1963 will continue low. These variations in return are due primarily to changes in the price of feeder cattle.

In 1963, the 5 most profitable ranches show a return to capital and labor of \$9,350 which is over twice the return or \$4,227 shown for the 5 least profitable ranches. Since the most profitable and the least profitable ranches are selected on the basis of returns to capital and labor *per cow*, the number of cows could be a further influence on returns. In this year, the 5 most profitable ranches kept an average of 149 cows, while the 5 least profitable kept 214 cows. So, the 5 most profitable ranches had twice the total return in spite of the fact they kept 30 percent fewer cows.

In the tables, the measure of return is the one described above—the return to capital and to operator's labor. Since some wish to know the estimated returns to capital, land and labor separately, this is discussed on pages 17 to 21. One can estimate the return to one of these resources only by assuming a charge for the others. This estimate is only as good as the assumed value for resources which are not considered as a residual.

In calculating the return to capital and to operator's labor, costs or charges include:

1. All cash farm expenses.
2. Depreciation on machinery, buildings and improvements.
3. Decrease in inventory value of livestock.
4. Decrease in inventory value of crops and supplies.
5. The value of family labor other than the operator at hired mans' wages.

The income items are:

1. All cash farm income.
2. Increase in inventory value of livestock.
3. Increase in inventory value of crops and supplies.

Increase in inventory value usually represents livestock or crop value that was produced in the year but not sold. On the other hand, decrease in inventory value is usually due to sales in excess of crops or livestock produced in the current year. If an increase is shown under income, there will not be a decrease under expenses. Only one or the other will occur.

The methods used in preparing this report are identical to those used for the year 1961 for this same group of ranches. For more detail on methods used and definition of terms used, see *Idaho Agricultural Research Progress Report No. 73, Costs and Returns to Mountain Type Cattle Ranches in Central Idaho in 1961*.

Data presented in this report includes the following material for the 24 ranches:

1. Size and capital investment.
2. Incomes and costs per ranch.
3. Incomes and costs per animal unit.
4. Incomes and costs per cow.
5. Factors affecting returns.
6. Incomes and costs by size of ranch.
7. Calculation of residual to operator's labor, to total capital, and to land.
8. Comparison of 1963 results with those for previous years.

Figures are given both per cow and per animal unit, since for some purposes one is preferable to the other. Because only two ranches are in the cow-yearling classification in 1963, no comparison is made between cow-calf and cow-yearling ranches this year.

The value used for land and grazing rights is \$250 per head of carrying capacity. Present selling prices are considerably higher than this, ranging from \$300 to \$600 per head and even higher in some cases. Ranchers consider that these values are inflated and difficult to support on the basis of earnings. The more conservative value of \$250 per head is therefore used. This means that the returns to capital as shown are higher than they would be if present selling prices were used.

The average investment of these ranches as shown in Table 1 is \$154,837. Some of the larger ranches represent an investment of \$500,000 or more. This is a sizeable investment, far exceeding that of most small town businesses. The supervision of a business of this size requires a high order of management ability.

TABLE 1.—SIZE OF RANCHES AND CAPITAL INVESTMENT, 1963

| | Average of 24 ranches | Average of 5 most profitable ranches | Average of 5 least profitable ranches |
|--|--------------------------|---|--|
| Number of cows..... | 231 | 149 | 214 |
| Number of animal-units..... | 307 | 189 | 299 |
| Summary of capital investment: | | | |
| Livestock..... | \$56,285 | \$34,315 | \$56,914 |
| Machinery and power..... | 12,243 | 6,644 | 11,553 |
| Crops and supplies..... | 9,121 | 6,641 | 7,805 |
| Total capital investment other than real estate..... | 77,649 | 47,600 | 76,272 |
| Land and grazing rights at \$250 per animal-unit of carrying capacity..... | 77,188 | 52,500 | 74,500 |
| Total capital investment..... | 154,837 | 100,100 | 150,772 |

TABLE 2.—TOTAL INCOMES AND TOTAL COSTS PER RANCH, 1963

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches ¹ |
|---|--------------------------|--|---|
| Cash income: | | | |
| Calves sold..... | \$13,850 | \$8,206 | \$8,677 |
| Yearlings sold..... | 5,994 | 5,456 | 7,497 |
| Cows sold..... | 2,478 | 992 | 1,416 |
| Bulls sold..... | 913 | 420 | 2,258 |
| Other livestock or livestock products..... | 415 | 269 | 737 |
| Crops..... | 126 | 5 | 63 |
| Work off the farm..... | 189 | 240 | 86 |
| Miscellaneous income..... | 459 | 244 | 295 |
| Total, cash income (1)..... | 24,424 | 15,832 | 21,029 |
| Increase in investment value of livestock..... | 1,750 | 1,896 | 3,861 |
| Increase in investment value of crops and supplies..... | 516 | 1,930 | |
| Gross income (2)..... | 26,690 | 19,658 | 24,890 |
| Cash operating expenses: | | | |
| Hired labor..... | 2,411 | 425 | 3,856 |
| Feed..... | 1,030 | 561 | 1,633 |
| Grazing fees and pasture rent..... | 527 | 483 | 755 |
| Crop expense (bale ties, seed, fertilizer, crop chemicals)..... | 734 | 202 | 574 |
| Repairs for machinery..... | 1,002 | 480 | 1,153 |
| Repairs for buildings and improvements..... | 201 | 318 | 255 |
| Fuel for farm use..... | 1,292 | 557 | 1,314 |
| Custom work hired..... | 270 | 151 | 185 |
| Farm share of auto expense..... | 255 | 184 | 404 |
| Livestock bought..... | 3,099 | 2,997 | 2,768 |
| Livestock expense..... | 851 | 586 | 549 |
| Taxes on real estate and personal property..... | 1,640 | 1,028 | 1,510 |
| Insurance..... | 389 | 300 | 294 |
| Telephone and electricity (farm share)..... | 318 | 206 | 250 |
| Water assessment..... | 84 | 59 | 247 |
| Other expense..... | 235 | 81 | 289 |
| Total, cash operating expenses (3)..... | 14,338 | 8,618 | 16,086 |
| Depreciation on machinery..... | 2,264 | 1,006 | 2,610 |
| Depreciation on buildings and improvements..... | 1,025 | 554 | 1,439 |
| Decrease in investment value of livestock..... | | | 348 |
| Decrease in investment value of crops and supplies..... | | | 180 |
| Value of family labor other than operator..... | 516 | 90 | |
| Total, expenses (4)..... | 18,143 | 10,268 | 20,663 |
| Measures of return: | | | |
| Net cash income (1) minus (3)..... | 10,086 | 7,214 | 4,943 |
| Return to capital and to operator's labor (2) minus (4)..... | 8,547 | 9,390 | 4,227 |
| Total, capital investment..... | 154,837 | 100,100 | 150,772 |

¹ Most profitable and least profitable ranches are on the basis of return to capital and to operator's labor per cow. This ignores the number of cows kept.

TABLE 3.—INCOMES AND COSTS PER ANIMAL UNIT, 1963

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches ¹ |
|--|--------------------------|--|---|
| Cash income: | | | |
| Cattle sold..... | \$74.81 | \$79.95 | \$61.82 |
| Other livestock and livestock products..... | 1.98 | 3.20 | 2.09 |
| Crops..... | .51 | .03 | .30 |
| Work off the farm..... | .96 | 2.03 | .75 |
| Miscellaneous income..... | 1.51 | 1.50 | .91 |
| Total cash income (1)..... | 79.77 | 86.71 | 65.87 |
| Increase in inventory value of livestock..... | 7.39 | 5.38 | 17.64 |
| Increase in inventory value of crops and supplies..... | .74 | 6.19 | ..... |
| Gross income (2)..... | 87.90 | 98.28 | 83.51 |
| Cash operating expenses: | | | |
| Hired labor..... | 6.52 | 1.81 | 9.71 |
| Feed..... | 3.35 | 2.71 | 4.91 |
| Grazing fees and pasture rent..... | 1.81 | 2.64 | 2.44 |
| Crop expense..... | 2.54 | 1.19 | 2.08 |
| Repairs for machinery..... | 3.27 | 2.79 | 3.35 |
| Repairs for buildings and improvements..... | .89 | 1.98 | 1.01 |
| Fuel for farm use..... | 4.24 | 3.44 | 4.42 |
| Custom work hired..... | .91 | 1.07 | .80 |
| Farm share of auto expense..... | 1.13 | 1.16 | 2.11 |
| Livestock bought..... | 10.17 | 9.05 | 11.55 |
| Livestock expense..... | 2.92 | 3.36 | 2.07 |
| Taxes on real estate and personal property..... | 5.51 | 5.97 | 4.75 |
| Insurance..... | 1.22 | 1.13 | .95 |
| Telephone and electricity (farm share)..... | 1.02 | 1.34 | .80 |
| Water assessment..... | .29 | .18 | .95 |
| Other expenses..... | .73 | .44 | .95 |
| Total cash operating expenses (3)..... | 46.52 | 40.26 | 52.85 |
| Depreciation on machinery..... | 7.24 | 5.59 | 7.74 |
| Depreciation on buildings and improvements..... | 3.65 | 3.43 | 5.14 |
| Decrease in inventory value of livestock..... | ..... | ..... | 1.44 |
| Decrease in inventory value of crops and supplies..... | ..... | ..... | 1.62 |
| Value of family labor other than operator..... | 1.42 | 1.07 | ..... |
| Total expenses (4)..... | 58.83 | 50.35 | 68.79 |
| Measures of return: | | | |
| Net cash income (1) minus (3)..... | 33.25 | 46.45 | 13.02 |
| Return to capital and to operator's labor (2) minus (4)..... | 29.07 | 47.93 | 14.73 |
| Total capital investment per animal unit..... | 508.00 | 517.00 | 503.00 |

¹ Most profitable and least profitable ranches are on the basis of return to capital and to operator's labor per cow. This ignores the number of cows kept.

TABLE 4.—INCOMES AND COSTS PER COW, 1963

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches ¹ |
|---|--------------------------|--|---|
| Cash income: | | | |
| Cattle sold..... | \$97.45 | \$100.65 | \$84.00 |
| Other livestock and livestock products..... | 2.67 | 3.69 | 3.46 |
| Crops..... | .62 | .04 | .35 |
| Work off the farm..... | 1.22 | 2.69 | .97 |
| Miscellaneous income..... | 2.06 | 2.11 | 1.15 |
| Total cash income (1)..... | 104.02 | 109.18 | 89.93 |
| Increase in investment value of livestock..... | 9.85 | 7.62 | 23.77 |
| Increase in investment value of crops and supplies..... | .60 | 8.05 | ..... |
| Gross income (2)..... | 114.47 | 124.85 | 113.70 |

TABLE 4.—INCOMES AND COSTS PER COW 1963

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches |
|--|--------------------------|--|--|
| Cash operating expenses: | | | |
| Hired labor..... | 8.87 | 2.29 | 13.86 |
| Feed..... | 4.26 | 3.64 | 6.44 |
| Grazing fees and pasture rent..... | 2.36 | 3.34 | 3.28 |
| Crop expense..... | 3.28 | 1.51 | 2.88 |
| Repairs for machinery..... | 4.37 | 3.56 | 4.83 |
| Repairs for buildings and improvements..... | 1.15 | 2.38 | 1.43 |
| Fuel for farm use..... | 5.59 | 4.39 | 6.00 |
| Custom work hired..... | 1.22 | 1.45 | 1.12 |
| Farm share of auto expense..... | 1.45 | 1.39 | 2.79 |
| Livestock bought..... | 12.83 | 11.32 | 14.42 |
| Livestock expense..... | 3.80 | 4.27 | 2.95 |
| Taxes of real estate and personal property..... | 7.24 | 7.44 | 6.68 |
| Insurance..... | 1.58 | 1.44 | 1.24 |
| Telephone and electricity (farm share)..... | 1.35 | 1.62 | 1.16 |
| Water assessment..... | .36 | .25 | 1.16 |
| Other expenses..... | 1.00 | .53 | 1.17 |
| Total cash operating expenses (3)..... | 60.71 | 50.82 | 71.41 |
| Depreciation on machinery..... | 9.42 | 6.79 | 10.79 |
| Depreciation on buildings and improvements..... | 4.73 | 4.16 | 6.84 |
| Decrease in inventory value of livestock..... | | | 3.23 |
| Decrease in inventory value of crops and supplies..... | | | 2.09 |
| Value of family labor other than operator..... | 1.95 | 1.23 | |
| Total expenses (4)..... | 76.81 | 63.00 | 94.36 |
| Measure of return: | | | |
| Net cash income (1)–(3)..... | 43.31 | 58.36 | 18.52 |
| Return to capital and to operator's labor (2)–(4)..... | 37.66 | 61.85 | 19.34 |
| Total capital investment per cow..... | 670.00 | 662.00 | 697.00 |

¹ Most profitable and least profitable ranches are on the basis of return to capital and to operator's labor per cow. This ignores the number of cows kept.

Factors affecting returns are grouped in Table 5 under the heading of size, organization, rate of production, efficiency and selling price.

TABLE 5.—FACTORS AFFECTING RETURNS

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches ¹ |
|--|--------------------------|--|---|
| Size factors: | | | |
| Number of animal units..... | 307 | 189 | 299 |
| Number of cows..... | 231 | 149 | 214 |
| Total capital investment..... | \$154,837 | \$100,100 | \$150,772 |
| Number of men..... | 1.8 | 1.2 | 1.9 |
| Organization factors: | | | |
| Animal unit months of outside feed (BLM and FS) plus rented pasture..... | 907 | 763 | 1,030 |
| Animal unit months of outside feed per cow..... | 3.6 | 4.2 | 4.8 |
| Percent of year on outside feed..... | 24 | 27 | 31 |
| Percent of gross income from cattle..... | 91 | 87 | 93 |
| Percent of cow herd sold during the year..... | 8 | 7 | 6 |
| Rate of production factors: | | | |
| Percent calf crop..... | 89 | 92 | 91 |
| Pounds of beef produced per cow..... | 480 | 505 | 531 |
| Average weight per calf sold..... | 444 | 454 | 433 |
| Average weight per yearling sold..... | 631 | 679 | 626 |
| Average weight per cow sold..... | 1,059 | 996 | 1,064 |
| Average weight per bull sold..... | 1,445 | 1,369 | 1,431 |
| Efficiency factors: | | | |
| Capital investment per cow..... | \$337 | \$345 | \$351 |
| Personal property..... | 333 | 317 | 346 |
| Total..... | 670 | 662 | 697 |

TABLE 4.—INCOMES AND COSTS PER COW, 1963

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches ¹ |
|--|--------------------------|--|---|
| Number of cows per man..... | 123 | 127 | 111 |
| Gross income per cow..... | \$114.47 | \$124.85 | \$113.69 |
| Total expense per cow..... | \$76.81 | \$63.00 | \$94.36 |
| Return to capital and to operator's labor per cow..... | \$37.66 | \$61.85 | \$19.33 |
| Marketing efficiency: | | | |
| Average selling price per hundredweight calves..... | \$24.97 | \$24.30 | \$24.27 |
| Average selling price per hundredweight yearlings..... | \$22.64 | \$20.98 | \$23.11 |
| Average selling price per hundredweight cows..... | \$12.50 | \$11.71 | \$13.35 |
| Average selling price per hundredweight bulls..... | \$17.15 | \$15.59 | \$14.86 |

¹ Most profitable and least profitable ranches are on the basis of return to capital and to operator's labor per cow. This ignores the number of cows kept.

THE EFFECT OF SIZE OF RANCH ON RETURNS

Incomes and costs for small, medium and large-sized ranches are given in Table 6. The residual to capital and operator's labor increases from \$3,987 for the small ranches to \$5,603 for the medium sized ranches and \$12,764 for the large ranches.

TABLE 6.—TOTAL INCOMES AND TOTAL COSTS BY SIZE OF RANCH, 1963

| | Average of small ranches (under 150 animal units) | Average of medium ranches (150-300 animal units) | Average of large ranches (over 300 animal units) |
|--|---|--|--|
| Number of ranches..... | 5 | 8 | 11 |
| Average number of cows..... | 98 | 160 | 342 |
| Average number of animal units..... | 119 | 211 | 461 |
| Incomes: | | | |
| Cattle..... | \$9,542 | \$13,940 | \$36,218 |
| Other livestock..... | 285 | 505 | 409 |
| Other income..... | 309 | 795 | 971 |
| Total cash income..... | 10,136 | 15,240 | 37,598 |
| Increase in inventory value of livestock..... | 1,320 | 2,362 | 1,501 |
| Increase in inventory value of crops and supplies..... | | | 1,551 |
| Gross Income (2)..... | 11,456 | 17,602 | 40,650 |
| Cash operating expenses: | | | |
| Hired labor..... | 167 | 1,165 | 4,336 |
| Feed..... | 339 | 611 | 1,649 |
| Grazing fees and pasture rent..... | 260 | 376 | 758 |
| Crop expense..... | 426 | 495 | 1,047 |
| Repairs for machinery..... | 394 | 679 | 1,512 |
| Repairs for buildings and improvements..... | 106 | 224 | 228 |
| Fuel for farm use..... | 605 | 892 | 1,895 |
| Custom work hired..... | 98 | 214 | 389 |
| Farm share of auto expense..... | 278 | 171 | 304 |
| Livestock bought..... | 1,137 | 2,352 | 4,534 |
| Livestock expense..... | 438 | 587 | 1,231 |
| Taxes on real estate and personal property..... | 708 | 1,134 | 2,433 |
| Insurance..... | 106 | 283 | 596 |
| Telephone and electricity (farm share)..... | 129 | 185 | 501 |
| Water assessment..... | 5 | 110 | 102 |
| Other expenses..... | 69 | 73 | 427 |
| Total cash operating expense (3)..... | 5,265 | 9,551 | 21,943 |
| Depreciation on machinery..... | 879 | 1,570 | 3,398 |
| Depreciation on buildings and improvements..... | 611 | 570 | 1,543 |
| Decrease in inventory value of livestock..... | | | |
| Decrease in inventory value of crops and supplies..... | 444 | 308 | |
| Value of family labor other than operator..... | 270 | | 1,002 |
| Total expense (4)..... | 7,469 | 11,999 | 27,886 |

| | Average of small ranches (under 150 animal units) | Average of medium ranches (150-300 animal units) | Average of large ranches (over 300 animal units) |
|--|---|--|--|
| Measures of return: | | | |
| Net cash income (1) minus (3)..... | 4, 871 | 5, 689 | 15, 655 |
| Return to capital and to operator's labor (2) minus (4)..... | 3, 987 | 5, 603 | 12, 764 |
| Total capital investment..... | 60, 589 | 107, 879 | 231, 828 |
| Gross income per cow..... | 122. 44 | 113. 87 | 123. 77 |
| Total expense per cow..... | 81. 36 | 76. 58 | 87. 91 |
| Return to capital and to operator's labor per cow..... | 41. 08 | 37. 27 | 35. 86 |
| Capital investment per cow..... | 619 | 678 | 688 |
| Pounds of beef produced per cow..... | 485 | 468 | 487 |

Calculation of residual to operator's labor, total capital and land

As presented in this report, returns are shown as a residual to operator's labor and capital. The returns to labor and capital can be separated only by making an assumed charge for either the farmer's labor or for his capital. These assumed charges may not represent the true earnings of the labor or the capital. Usually they are estimated at the cost of hiring the labor, or at the interest paid on loans on farm property. In a sense this is incorrect, since a farmer's labor and capital get what they earn, not what is customarily paid for them. Still, many like to know the earnings of the farmer's labor or the returns he gets on his capital. These can only be calculated by estimating a charge for either one of these resources or the other.

Three separations of the return to the rancher's labor and capital follow. These are for:

1. Operator's labor income.
2. Rate earned on total investment.
3. Value of land based on income.

The *operator's labor income* is calculated by subtracting interest on the total investment from the return to the operator's labor and capital. An assumed interest charge of 5% is used. The calculations are made for the average, the five most profitable and the five least profitable ranches.

| | Average of 24 ranches | Average of 5 most profitable ranches | Average of 5 least profitable ranches |
|--|--------------------------|---|--|
| Total capital investment (1)..... | \$154, 837 | \$100, 100 | \$150, 772 |
| Return to operator's labor and capital (2)..... | 8, 548 | 9, 390 | 4, 227 |
| Interest on total investment at 5 percent (3)..... | 7, 742 | 5, 005 | 7, 538 |
| Operator's labor income (2)-(3)..... | 806 | 4, 385 | -3, 311 |

If interest at 5% is deducted from the returns to operator's labor and capital, \$806 remains for the average of the group as the return for their labor. The five most profitable receive \$7,696 more for their labor than the five least profitable with the assumptions made.

The *rate earned on total investment* is calculated by subtracting an allowance of \$4,000 for the operator's labor from the return to operator's labor and capital and dividing the remainder by the average total investment. The calculations follow.

| | Average of 24 ranches | Average of 5 most profitable ranches | Average of 5 least profitable ranches |
|--|--------------------------|---|--|
| Return to operator's labor and capital (1)..... | \$8, 548 | \$9, 390 | \$4, 227 |
| Less allowance for operator's labor (2)..... | 4, 000 | 4, 000 | 4, 000 |
| Return to capital (3)..... | 4, 548 | 5, 390 | 227 |
| Total, capital investment (4)..... | 154, 837 | 100, 100 | 150, 772 |
| Rate earned on total investment (percent) (3)-(4)..... | 2. 2 | 4. 0 | -. 6 |

If an allowance of \$4,000 for the operator's labor is assumed, the remainder represents a return of 2.2% on the capital investment for the average of the ranches. This is the return on all forms of capital, including both real estate and personal property. A conservative value is used on real estate, (\$250 per head of carrying capacity) so the return would be less if present selling prices were used.

The *value of land based on income* is determined by deducting charges except interest on the real estate investment to obtain the earnings of the land resource. These earnings are then capitalized at an assumed rate of 5% to determine the capital value of the land based on income. The calculations are again made for the average of the group and for the five most profitable and the five least profitable ranches.

| | Average of 24 ranches | Average of 5 most profitable ranches | Average of 5 least profitable ranches |
|--|--------------------------|---|--|
| Return to operator's labor and capital (1)..... | \$8,548 | \$9,390 | \$4,227 |
| Allowance for operator's labor (2)..... | 4,000 | 4,000 | 4,000 |
| Interest on investment value of livestock, machinery, crops, and supplies at 5 percent (3)..... | 3,882 | 2,390 | 3,814 |
| Return to capital in real estate (1) — (2) — (3)..... | 666 | 3,010 | —3,587 |
| Capitalized value of return to real estate (using 5-percent rate) (4)..... | 13,340 | 60,200 | |
| Animal units of carrying capacity (5)..... | 292 | 210 | (1) |
| Value of real estate per animal unit of carrying capacity (4-5)..... | 46 | 287 | |

¹ No residual to real estate.

If the residual to land is capitalized, the average value of real estate per animal unit ranges from a low of \$46 per animal unit to a high of \$140 in the 1960-63 period. Present selling prices are still mostly from \$300 to \$600 per animal unit of carry capacity—considerably higher than the value of the land based on income with the assumptions made. Note however that the five most profitable ranches have a residual to land that would enable them to pay \$287 per animal unit of carrying capacity for their land. In contrast, the five least profitable have no residual to land and could not pay anything for it. It is apparent then that real estate is worth more to some operators than to others. The ranchers with the higher returns can pay more for land than those with lower returns. One must realize that the value of these ranches as calculated would be different if any of the following assumptions were varied:

1. An assumed value of \$4,000 for the operator's labor.
2. A capitalization rate of 5% for the return to capital in real estate.
3. An assumption that 1963 returns represent those for the future accurately (since the value of land is stated to be the present value of all of the future incomes to land).
4. An assumed interest rate of 5% on the value of livestock, machinery, crops, and supplies.

5. An assumed value of \$225 per month for unpaid family labor other than operator.

The value obtained for real estate is correct only if these five assumptions are correct.

All calculations made ignore any increase in the value of real estate as a possible income, since such increases are not assured. Land values have risen in some periods and fallen in others. This is just one of the elements of uncertainty that are part of the farming business.

The averages for the ranches cooperating in 1963 are compared with the results for previous years in Table 7. The final figures for 1961 are revised slightly here from those appearing in the report for that year.

TABLE 7.—COMPARISON OF 1963 RESULTS WITH THOSE FOR PREVIOUS YEARS

| | 1960 | 1961 | 1962 | 1963 |
|---|-----------|-----------|-----------|-----------|
| Number of ranches..... | 24 | 29 | 24 | 24 |
| Number of cows per ranch..... | 241 | 221 | 222 | 231 |
| Number of animal units per ranch..... | 331 | 299 | 297 | 307 |
| Capital investment other than real estate per ranch..... | \$79,923 | \$73,891 | \$76,400 | \$77,649 |
| Capital investment in real estate per ranch..... | \$82,734 | \$74,810 | \$74,229 | \$77,188 |
| The capital investment per ranch..... | \$162,657 | \$148,701 | \$150,629 | \$154,837 |
| Gross income per ranch..... | \$28,018 | \$27,333 | \$27,787 | \$26,690 |
| Total expenses per ranch..... | \$19,080 | \$18,554 | \$17,893 | \$18,142 |
| Return to operator's labor and capital per ranch..... | \$8,938 | \$8,779 | \$9,894 | \$8,548 |
| Net cash income per ranch..... | \$12,047 | \$10,495 | \$12,757 | \$10,087 |
| Gross income per animal unit..... | \$84.66 | \$94.49 | \$99.11 | \$87.90 |
| Total expenses per animal unit..... | \$57.65 | \$63.49 | \$60.18 | \$58.83 |
| Return to operator's labor and capital per animal unit..... | \$27.01 | \$30.99 | \$38.93 | \$29.07 |
| Net cash income per animal unit..... | \$36.41 | \$36.67 | \$46.13 | \$33.25 |
| Capital investment per animal unit..... | \$491.00 | \$501.00 | \$514.27 | \$507.57 |
| Gross income per cow..... | \$116.43 | \$125.36 | \$130.03 | \$114.47 |
| Total expenses per cow..... | \$79.28 | \$83.88 | \$79.17 | \$76.81 |
| Return to operator's labor and capital per cow..... | \$37.15 | \$41.48 | \$50.86 | \$37.66 |
| Net cash income per cow..... | \$50.06 | \$48.04 | \$60.74 | \$43.31 |
| Capital investment per cow..... | \$676.00 | \$671.00 | \$683.35 | \$670.14 |
| Animal unit month outside feed per cow..... | 4.3 | 4.4 | 3.7 | 3.6 |
| Percent gross income from cattle..... | 96 | 93 | 92 | 91 |
| Percent cow herd sold during year..... | 11 | 10 | 10 | 8 |
| Percent calf crop..... | 89 | 92 | 89 | 89 |
| Pounds of beef produced per ranch..... | 115,439 | 97,420 | 101,364 | 110,583 |
| Pounds of beef produced per cow..... | 479 | 457 | 472 | 480 |
| Number of cows per man..... | 108 | 111 | 107 | 123 |
| Weight per calf sold..... | 442 | 445 | 444 | 444 |
| Weight per yearling sold..... | 654 | 661 | 662 | 631 |
| Weight per cow sold..... | 1,098 | 1,056 | 1,046 | 1,059 |
| Weight per bull sold..... | 1,456 | 1,461 | 1,428 | 1,445 |
| Selling price per hundredweight, calves..... | \$24.78 | \$25.75 | \$29.14 | \$24.97 |
| Selling price per hundredweight, yearlings..... | \$22.18 | \$21.90 | \$24.24 | \$22.64 |
| Selling price per hundredweight, cows..... | \$12.77 | \$13.03 | \$13.45 | \$12.50 |
| Selling price per hundredweight, bulls..... | \$16.88 | \$18.01 | \$16.70 | \$17.15 |
| Returns to operator's labor and capital by size of ranch: | | | | |
| Small ranches (less than 150 animal units)..... | \$2,337 | \$4,460 | \$6,452 | \$3,986 |
| Medium-sized ranches (150 to 300 animal units)..... | \$6,086 | \$6,915 | \$8,970 | \$5,602 |
| Large ranches (more than 300 animal units)..... | \$15,356 | \$12,646 | \$12,832 | \$12,765 |

Mr. FULTON. In going through this, I noticed the pages are not numbered. If each of you will number the pages, starting after the frontispiece, No. 1 on through, and also the tables as I come to them.

I shall only outline the first page.

During the 4-year period from 1960 to 1963, Dr. Roland C. Bevan, economist and acting head of the department of agricultural economics at the University of Idaho, made a progress report of the costs and returns to mountain-type cattle ranches in central Idaho. The results of this study were completely compiled in 1965 and certain portions of this study and appropriate graphs are included to show the trend in the years since 1963.

Table 1, which is on about page 3, is the balance sheet. The rest of page 1 is self-explanatory. It will require a little bit of reading, but I shall not bother you with it right now.

Page 2 is the excerpt by the county agency of Custer County, and I realize this. As you can readily see, Dr. Bevan has made no allowances for veterinary, medicine or death loss. Veterinary and medicine would average somewhere near \$3 per cow unit.

Death loss and other losses would also run at least \$4 per cow unit. Depreciation of a \$200 cow for 8 years minus salvage of \$140 gives about \$8 per year interest on investment at Dr. Bevan's figures of \$250 per AUM—cost of the ranch—plus \$200 for the cow, gives \$450 at 5 percent, which is \$22.50. This gives, in addition to Dr. Bevan's total cash operating expenses, of \$60.71 per cow unit a total in hidden costs of \$37.50 per cow. Total expense per cow unit of operating a ranch of \$97.50. You can see that, using today's figures of \$500 to \$600 cost of ranch per unit plus the cost of the cow, and using 7½ percent interest, you come up with a very small margin of profit on a per-cow basis. I shall not elaborate on that.

Page 4 outlines the Tricounty Cattlemen's Association's justification for sending me to you.

Within the boundaries of the Challis National Forest there are 24,153 permitted livestock that use the forest ranges during the summer months each season. There are 17 separate subcattle associations each operating on an allotment with specified boundaries and each one operating in cooperation with the Forest Service and the Bureau of Land Management in innovating sound conservation practices, rotation and deferred grazing methods, erosion control, poison eradication and control, water development and fencing where necessary to best protect the range for future use and yet produce the maximum utilization under the multiple-use principle. The various permittees in addition to paying the grazing fees are required to furnish all expenses such as salting, herding, and movement of cattle while they are on the range. They also contribute both investment capital and labor in building water developments and in construction of fences to better facilitate the handling of cattle on the range.

Table 2 shows that in the square mile area of Lemhi and Custer County and Butte County, we have a total of 11,616 miles.

It can be seen that Custer County—the base from which the statistics of this report are derived is larger in area than the two smallest States and about equal to the third, while the combined area of the Challis National Forest contained in the three counties is larger than the area of the nine smallest States.

The economy of this area is tied firmly to the livestock and the farming elements which make up about 70 percent of real property tax base and 53 percent of the personal property tax base including livestock.

You will notice the population is only 12,310.

Table 3 is the balance sheet of Custer County. I shall not elaborate on that. I did not carry that total cost of \$77,050. That balance is \$1,908,258, directly attributable to the farming industry.

The comparison below that shows what other property in the county develops—business lots, residence, business improvements, residence improvements, and other improvements, which include one sawmill and one mine in the whole confines of the area that are operating today, for a total of \$847,239. The business property you see above amounts to \$1,908,258. So it shows that the livestock people in this one small county, which is the same as several other Western States, farmland is close to 70 percent of the value of the whole county.

The five ranches in Custer County, and these are from my own tables in my tax-accounting business, I took five, averaged everything to—

gether, reduced it to a 200-unit operating level, and derived my figures from there. I shall not bother to read page 7. It is mostly history.

Page 8 is the actual result of the figures from this study. The figures from 1961 and 1962, 1963, are included in Dr. Bevan's report. You can see the figures from 1965, 1966, 1967, and 1968, and the projection for 1969 under the new grazing fee setup, are carried in this table. You can see that from 1961, the taxes rose from \$922 in 1961 to \$1,398 in 1968. I think that is a 30-percent increase in taxes alone.

Our association dues on the Wild Horse allotment, which this study includes, rose from \$1 a head to \$2 a head in this 10-year period, which is quite a large extra cost above and beyond the cost of grazing. If you wish to add the two figures together, you will get what the livestock man who owns 200 head, what it costs him in fees and dues alone.

In this 8-year period on a 200-head unit taxes have increased by 30 percent overall. Grazing fees have increased by 16 percent and the increase in 1969 over 1968 if the fee increase proposed is added, the increase will be 10 percent. During this same period the price of a 400-pound calf has risen from an average of 26 cents to 32 cents—a percent increase of 18 percent.

I might add that this is the top market, this is not the average. It is the very top.

It takes four more calves to pay taxes in 1968 than it did in 1961 at today's prices.

The cost of running on the range in association dues has doubled. The labor cost of hiring a rider has increased 23 percent. It requires in addition to the above figures, 12 to 15 man-days per permittee per 200 head of livestock in a season in extra labor costs. Death loss on the range and missing animals in inventory will average 2 to 3 percent. All of these factors must be considered to get a true picture of the cost of running cattle on the range.

Table 5, page 9, shows a study from 1965 to 1968. Interest costs have steadily risen, from \$2,227 to \$2,722. Depreciation, supplies, and repairs have steadily risen. The feed column there, if you will read the column, show two things: it shows that in 1965, the feed cost was up. We had a very bad drought that year. All the ranchers had to buy extra feed.

From 1968 to 1969, we had a very severe winter and they have already gone out and bought quite an appreciable amount of feed over and above what they normally buy.

Page 10, table 6, shows total farm gross income and expense, the income factors, in two columns. I think that they are self-explanatory.

You will notice on the farm income figure on the far right, if you will turn back one page to the feed column on page 9, table 5, you will see the same reflection of income as compared to the cost of feed. I think that is significant.

Averaging the good years with the bad years, the average net farm income still hovers around the \$4,000 mark, which is about the same as Dr. Bevan showed in 1963 if the adjustment to a 200-head operation is made.

Despite the increased rise in livestock prices to the stockman, his net return has remained about the same while all other industry and all union contracts have had substantial raises in income to compensate for the increased cost of living.

Dr. Bevan showed a breakdown between net income and 5 percent return on investment. Dr. Bevan showed a total investment capital figure of about \$123,000. This figure is now about \$150,000 per 200-cow outfit. Either the rancher and farmer in this area is working for \$2,500 per year and making a return on his investment of \$1,500 or 0.01 percent, or he is earning about \$4,000 and receiving nothing for his capital investment.

Table 7 relates to the Wildhorse Cattle Association. This is the one I operated on. There are some corrections. At the bottom of the middle column, total dues cost, the bottom three figures should read "\$2,780" in all three cases, instead of "\$2,085." That was a mathematical error that was not picked up until I got here. You can see the herding expenses increased from \$1,559 in 1961 to \$2,100 in 1968. It will probably go higher.

The two columns with the asterisks project what this increased grazing fee will do. In 1969, the grazing cost on this allotment alone—and this is both from BLM and Forest Service; they are lumped together. The rancher does not care whom they go through, it is the same expense. As an added cost to the above table, special assessments are levied to cover capital investment costs. This levy is charged to each permittee on a per-head basis.

On the Wildhorse allotment the permittee invested \$2,437 in 1966 and 1967 for the construction of fences to protect a spray area.

The Wildhorse allotment will enter into a five-year rest rotation and deferred grazing plan in 1970. This will require capital investment by each permittee to build about 10 miles of fence. At present costs, this will amount to \$400 per mile for a total of \$4,000 in additional costs—about \$2.80 a head—with no assurance that the operator will get a return on investment.

The permittee also is charged with the repair cost.

If the 10 to 15 days per 200 head of labor by each permittee is added at \$20 per day, this will amount to \$200 to \$300 added to the cost of running on Forest and BLM lands.

Permittees also invest both time and capital for water developments.

There are some extra notes I have added. In 1969, based on last year's figure, 1968, the direct grazing fee will be 4 percent. The association dues will be 3 percent. In 1978, if this is projected, the direct fee will be 10 percent.

I brought this in because testimony given by Mr. Rasmussen yesterday estimated that this would increase the total operating cost by 2 percent. I think it is worth nothing that these —

Senator CHURCH. What is your figure again, Dave?

Mr. FULTON. Ten percent in 1978. This is the direct fee. It does not include the Association cost or the cost of maintenance or whatever you have.

Senator CHURCH. I understand.

Mr. FULTON. This fee is probably equal to the cost of grazing, so actually it is going to be a very substantial figure in 10 years.

Salting cost is \$28 per ton. We put out 10 tons per year. For the wildlife people, I would like to note that cattlemen on the range are the best friends that the livestock and game management people have. We salt them and we do it for free. That is the gist of the report.

If you will permit me, I have two or three notes that I have computed that I think any livestock man in the audience will concur with. A 200-head cow herd, at \$200 a head, the total value of \$40,000. This is an average figure for salary in industry right now, so it shows we would have to sell our total cow herd each year to pay for one average salary. Based on a \$400 calf on a 200-head unit, the best operators may get a 90-percent calf drop in the best years. They are lucky to salvage anything after they take the market losses, the range losses and other losses. Eighty percent of 200, of course, is 160 calves.

If only one-half of these are steer calves, or 80 head, and less than one-half of this 80 head will bring the top market price—I have some quick figures. Forty head at 30 cents, which would be the average top price, would be about \$120 a head on a 200-head outfit; that one would sell \$4,800 worth at the top price.

His next 40 head—these are steer calves—would run probably \$112 for \$4,500. He has to keep about 40 heifers a year for replacement, which leaves him 40 to sell. These will probably bring him \$25 or less—this is still on a 400-cow basis—\$100 a head for \$40,000. The depreciation for the breeding herd—this is the culls that he sells—he will have 20 cows left out of his 40 replacements at the end of his 8-year depreciation on the term of the cattle, and they will average \$100 a head, which shows in all probability, he can expect around \$14,000 gross income on this size operation.

His expenses, if you care to refer back to the proper table, you will see they are already having around between \$10,000 and \$11,000, which does not leave him a very rosy picture.

Gentlemen, I thank you for your time.

Senator CHURCH. Yes; I thank you.

I think that your analysis of the cost-price factors for what we would have to regard as rather typical ranchers in Idaho should be very helpful to the committee.

All three of you, as matter of fact, have hit upon one theme, which I think has basic importance, and that is the fact that agriculture as a whole has not kept up with the advancing pace of the economy. And you are faced with higher costs all the time, but your profit level under the best conditions remains constant. Another way to put it, would be to say your costs keep increasing and your returns do not.

I think it is correct, Walter, that the price you are receiving today for both cattle and sheep is about what it was 20 years ago; is that not roughly the case?

Mr. LITTLE. That is roughly it.

Senator CHURCH. This is, of course, the basic problem and the result has been an immigration away from the rural areas of the country into urban areas, where problems have become increasingly severe. So the country has an interest in reversing this trend. We must find a way to reverse it.

Senator JORDAN?

Senator JORDAN. I have only this comment: I think that these statements are all very pertinent. Statements had been made yesterday that this increase in fee would amount to only about 2 percent of the gross sales or gross income of the permittee, and that was regarded as negligible. But if a man comes to where he is only making 4 percent on his investment and his costs go up 2 percent, it is a 50-percent reduction in his net; is that not true, Mr. Fulton?

Mr. FULTON. This is pretty close to right.

Senator JORDAN. That is where the thing gets very critical, because 2 percent does not seem like very much in the overall, but as a percent of his net, it can be as much as 50 percent of his net.

Mr. FULTON. This can apply on either the net return or the gross expense, either one. For instance, the grazing fee in 1978, as I pointed out, would be something over \$1,000 on this, which is gross expenses of roughly \$10,000; you can see that it is going to be 10-percent right there. Of course, it reflects back to his income.

Senator JORDAN. Thank you.

Senator CHURCH. Senator Hansen?

Senator HANSEN. Mr. Chairman, if you will permit me.

Mr. Fulton, if you would look at page 12 of the statistical analysis in the fifth line down, when you were reading those figures, I thought you said the return on a 400-pound calf in 1965—did you say 1965 or 1961?

Mr. FULTON. 1965 is what I said there.

Senator HANSEN. Should it be 1965 instead of 1961?

Mr. FULTON. In this case, it should be 1965. The original figures where I started out,—

Senator HANSEN. I just wanted to be sure I had it.

Then you said the increase amounts to 19 percent?

Mr. FULTON. Roughly, yes. In 1961, on my own books, I carried it back that far. The price then was about 22 cents or \$22 a hundred per 400-pound calf. But I did not include that in this percent.

Senator CHURCH. Senator Hatfield?

Senator HATFIELD. I have no questions.

Senator CHURCH. Thank you, gentlemen.

(The prepared statement referred to follows:)

PREPARED STATEMENT OF DAVID FULTON, PRESIDENT, TRI-COUNTY CATTLEMEN'S ASSOCIATION, IDAHO

HISTORY

During the four year period from 1960 to 1963 Dr. Roland C. Bevan, Economist and Acting Head of the Department of Agriculture Economics at the University of Idaho, made a Progress Report of the costs and returns to mountain-type cattle ranches in central Idaho. The results of this study were completely compiled in 1965 and certain portions of this study and appropriate graphs are included to show the trend in the years since 1963.

Table one shows the balance sheet from Dr. Bevan's report on 24 ranches in this area. In his report Dr. Bevan did not carry interest as a figure in net form expenses so his returns to net income are correspondingly greater. He applied the interest cost to capitalization. He did not carry death loss as cost of operation but allowances are made in net inventory. The range operator must figure death loss as part of the cost of operation because it materially reduces his net farm income. Death loss on the range is conservatively set at 3 percent which includes both confirmed death loss by carcass count and the far greater loss by head count, mostly breeding cows that for any of several reasons "lose" their calves on the range. This figure should be given due consideration in the fee structure when considering the livestock operators cost of running cattle on the range.

Dr. Bevin capitalized the value of a range permit at \$250 per animal unit. Present values in sales of ranch property range from \$400 to \$600.

As you can readily see Dr. Beven has made no allowance for Vet and medicine or death loss. Vet and medicine would average somewhere near \$3 per cow unit.

Death loss and other losses would also run at least \$4.00 per cow unit. Depreciation of a \$200.00 cow for 8 years minus salvage of \$140.00 gives about \$8.00 per year interest on investment at Dr. Bevan's figures of \$250 per AUM (cost of the ranch) plus \$200 for the cow, gives \$450.00 @ 5%=\$22.50 this gives, in addition

to Dr. Bevans total cash operating expenses of \$60.71 per cow unit a total in hidden costs of \$37.50 per cow. A total expense per cow unit of operating a ranch of \$97.50. You can readily see that using today's figures of \$500-\$600 (cost of a ranch) per unit plus the cost of the cow and using 7½% interest we would come up with a very small margin of profit on a per cow basis.

TABLE 1.—INCOMES AND COSTS PER COW, 1963

| | Average of 24 ranches | Average of 5 most profitable ranches ¹ | Average of 5 least profitable ranches ¹ |
|---|--------------------------|--|---|
| Cash income: | | | |
| Cattle sold..... | \$97.45 | \$100.65 | \$84.00 |
| Other livestock and livestock products..... | 2.67 | 3.69 | 3.46 |
| Crops..... | .62 | .04 | .35 |
| Work off the farm..... | 1.22 | 2.69 | .97 |
| Miscellaneous income..... | 2.06 | 2.11 | 1.15 |
| Total cash income (1)..... | 104.02 | 109.18 | 89.93 |
| Increase in investment value of livestock..... | 9.85 | 7.62 | 23.77 |
| Increase in investment value of crops and supplies..... | .60 | 8.05 | ----- |
| Gross income (2)..... | 114.47 | 124.85 | 113.70 |
| Cash operating expenses: | | | |
| Hired labor..... | 8.87 | 2.29 | 13.86 |
| Feed..... | 4.26 | 3.64 | 6.44 |
| Grazing fees and pasture rent..... | 2.36 | 3.34 | 3.28 |
| Crop expense..... | 3.28 | 1.51 | 2.88 |
| Repairs for machinery..... | 4.37 | 3.56 | 4.83 |
| Repairs for buildings and improvements..... | 1.15 | 2.38 | 1.43 |
| Fuel for farm use..... | 5.59 | 4.39 | 6.00 |
| Custom work hired..... | 1.22 | 1.45 | 1.12 |
| Farm share of auto expense..... | 1.45 | 1.39 | 2.79 |
| Livestock bought..... | 12.83 | 11.32 | 14.42 |
| Livestock expense..... | 3.80 | 4.27 | 2.95 |
| Taxes of real estate and personal property..... | 7.24 | 7.44 | 6.68 |
| Insurance..... | 1.58 | 1.44 | 1.24 |
| Telephone and electricity (farm share)..... | 1.35 | 1.62 | 1.16 |
| Water assessment..... | .36 | .25 | 1.16 |
| Total cash operating expenses (3)..... | 60.71 | 50.82 | 71.41 |

¹ Most profitable and least profitable ranches are on the basis of return to capital and to operator's labor per cow. This ignores the number of cows kept.

TRI-COUNTY CATTLEMEN'S ASSOCIATION

The Tri-County Cattlemen's Association is made up of all of the livestock producers in Butte, Custer and Lemhi counties who hold grazing permits on the Challis National Forest and who own commensurate property sufficient to feed their breeding cattle at least seven months of the year.

Within the boundaries of the Challis National Forest there are 24,153 permitted livestock that use the forest ranges during the summer months each season. There are seventeen separate sub cattle associations each operating on an allotment with specified boundaries and each one operating in cooperation with the Forest Service and the Bureau of Land Management in innovating sound conservation practices, rotation and deferred grazing methods, erosion control, poison eradication and control, water development and fencing where necessary to best protect the range for future use and yet produce the maximum utilization under the multiple use principle. The various permittees in addition to paying the grazing fees are required to furnish all expenses such as salting, herding and movement of cattle while they are on the range. They also contribute both investment capital and labor in building water developments and in construction of fences to better facilitate the handling of cattle on the range.

For a comparison of the size and scope of the Challis National Forest area, which is subject to lumbering, mining, recreation, game management and livestock production, the following table is presented:

TABLE 2

| Name | Area in square miles | Population |
|---------------------|----------------------|------------|
| Custer County | 4,929 | 2,996 |
| Lemhi County | 4,448 | 5,816 |
| Butte County | 2,239 | 3,498 |
| Total | 11,616 | 12,310 |
| Rhode Island | 1,214 | ..... |
| Delaware | 2,057 | ..... |
| Connecticut | 5,009 | ..... |
| Hawaii | 6,450 | ..... |
| New Jersey | 7,836 | ..... |
| Massachusetts | 8,251 | ..... |
| New Hampshire | 9,304 | ..... |
| Vermont | 9,609 | ..... |
| Maryland | 10,577 | ..... |

It can be seen that Custer County—the base from which the statistics of this report are derived is larger in area than the two smallest states and about equal to the third, while the combined area of the Challis National Forest contained in the three counties is larger than the area of the nine smallest states.

The economy of this area is tied firmly to the livestock and the farming elements which make up about 70% of real property tax base and 53% of the personal property tax base including livestock.

TABLE 3.—1966 Financial report—Custer County, Idaho

| | |
|--|-------------|
| Real property | \$3,958,679 |
| Personal | 340,142 |
| Subsequent personal property | 132,341 |
| Total | 4,431,162 |
| Farm irrigated land | 765,123 |
| Grazing irrigated land | 231,972 |
| Total | 997,095 |
| Nonirrigated agricultural land | 3,037 |
| Dry grazing land | 139,924 |
| Subirrigated grazing | 170,545 |
| Total | 313,506 |
| Rural improvements | 597,657 |
| Total value of real property, farm | 1,908,258 |
| Business lots | 36,236 |
| Residence lots | 123,973 |
| Business improvement | 245,026 |
| Residence improvement | 365,254 |
| Total | 770,189 |
| Other | 77,050 |
| Total value real property, other than farm | 2,755,767 |
| Grand total | 4,431,162 |

| | Amount | Percent |
|---|-----------|---------|
| Total value of all livestock | \$891,790 | 53 |
| Total value all other personal property | 534,448 | 32 |
| Total value of utilities | 249,157 | 15 |
| Total, real property farm | 1,908,258 | 69 |

A CASE STUDY OF FIVE RANCHES IN CUSTER COUNTY

The statistics presented in this study are the results of the averages of five ranches in Custer County, Idaho.

In Dr. Bevans report he used 24 ranches classed as small with 150 or less animal units, medium with from 150 to 300 animal units and large with over 300 animal units.

For the purposes of this report all figures have been adjusted by percent to a 200 animal unit operation. This has resulted in some distortion especially in cost of labor accounts, feed and seed expenses and supplies and repairs for some years but the distortion is within 5% and does not alter the results of the study.

The figures attributable to total farm income are from two sources. The net farm gain (or loss) figure is the amount reported from income tax returns and shown on form 1040-F after all operating expenses have been subtracted from gross revenue directly attributable to other sales from farm produce or pasture, wool, lambs, agricultural farm payments, credit refunds etc. all reported on form 1040-F. To this figure is added such amounts resulting from the sale of long term capital gains attributable to livestock production and farming namely the sale of breeding stock and Sec. 1245 and 1250 assets on Schedule D.

TABLE 4.—INCREASE IN TAXES, GRAZING FEES, AND ALLOTMENT ASSOCIATION DUES IN 8 YEARS

[Adjusted to 200 head of livestock]

| Year | Taxes | Grazing fees | Association dues |
|------|---------|--------------|------------------|
| 1969 | | \$532 | \$400 |
| 1968 | \$1,398 | 483 | 400 |
| 1967 | 1,316 | 483 | 400 |
| 1966 | 1,197 | 455 | 350 |
| 1965 | 1,123 | 401 | 300 |
| 1964 | 1,177 | 401 | 300 |
| 1963 | 1,107 | 401 | 250 |
| 1962 | 992 | 401 | 250 |
| 1961 | 922 | 401 | 200 |

In this 8 year period on a 200 head unit taxes have increased by 30% overall. Grazing fees have increased by 16% and the increase in 1969 over 1968 if the fee increase proposed is added the increase will be 10%. During this same period the price of a 400 pound calf has risen from an average of 26¢ to 32¢—a percent increase of 18%.

It takes four more calves to pay taxes in 1968 than it did in 1961 at today's prices.

The cost of running on the range in association dues has doubled. The labor cost of hiring a rider has increased 23%. It requires in addition to the above figures, 12 to 15 man days per permittee per 200 head of livestock in a season in extra labor costs. Death loss on the range and missing animals in inventory will average 2% to 3%. All of these factors must be considered to get a true picture of the cost of running cattle on the range.

TABLE 5.—RATE OF INCREASE OF THE MAJOR OPERATING EXPENSES ON THE AVERAGE OF 5 RANCHES IN CUSTER COUNTY

[Data taken from actual income tax returns. Adjusted to a 200-head livestock operation]

| Year | Interest and insurance | Depreciation | Supplies and repairs | Feed and seed |
|------|------------------------|--------------|----------------------|---------------|
| 1965 | \$2,227 | \$1,669 | \$707 | \$1,389 |
| 1966 | 2,446 | 1,836 | 902 | 922 |
| 1967 | 2,521 | 2,001 | 1,122 | 794 |
| 1968 | 2,722 | 2,162 | 1,304 | 1,545 |

The farm debt mortgage continues to rise. This is due to two factors, the increased interest rate and the fact that the cost of new machinery continues to increase at a rapid rate. This shown by the steady rise in depreciation costs also th steady rise in cost of repairs and the labor cost increase by mechanics labor. At the present time a major repair bill on the sophisticated type of machines that

farmers and ranchers now use is about equally divided between the cost of the repairs and the mechanics labor bill. Ten years ago farmers did about 80% of their own repairing but new machinery requires the special tools and mechanical skill found only in the shops of the implement dealer and ranchers mostly can only do about twenty percent of their own repairing of equipment.

The feed and seed column shows only that 1965 was a drought year and all ranchers had to invest heavily in supplementary feed while 1968 was abnormally cold with deep snows in the area and winter pastures were covered causing extra feed costs.

TABLE 6.—TOTAL FARM GROSS INCOME AND EXPENSE: THE INCOME FACTOR IS IN 2 COLUMNS, FARM INCOME AS REPORTED ON FORM 1040-F AND CAPITALIZED INCOME FROM THE SALE OF LONG-TERM GAINS, MOSTLY BREEDING STOCK, AND SALE OF SEC. 1245 AND SEC. 1250 ASSETS

| Year | 1040-F income | 1040-D income | Total | Gross expense | Farm income |
|-----------|------------------|------------------|--------|------------------|----------------|
| 1965..... | 11,274 | 986 | 12,260 | 9,748 | 2,512 |
| 1966..... | 13,905 | 13,905 | 3,017 | 11,369 | 5,653 |
| 1967..... | 12,405 | 3,788 | 16,193 | 9,970 | 6,223 |
| 1968..... | 12,701 | 3,992 | 16,693 | 11,942 | 4,751 |

Averaging the good years with the bad years the average net farm income still hovers around the \$4000.00 mark which is about the same as Dr. Bevan showed in 1963 if the adjustment to a 200 head operation is made.

Despite the increased rise in livestock prices to the stockman, his net return has remained about the same while all other industry and all union contracts have had substantial raises in income to compensate for the increased cost of living.

Dr. Bevan showed a break down between net income and 5% return on investment. Dr. Bevan showed a total investment capital figure of about \$123,000.00. This figure is now about \$150,000.00 per 200 cow outfit. Either the rancher and farmer in this area is working for \$2500.00 per year and making a return on his investment of \$1500.00 or .01% or he is earning about \$4000.00 and receiving nothing for his capital investment.

TABLE 7.—WILDHORSE CATTLE ASSOCIATION—A 9-YEAR CASE STUDY

| | |
|--|-------|
| Number of cattle on the allotment..... | 1,390 |
| Number of cow-months..... | 6,497 |
| Number of permittees..... | 7 |

| Year | Grazing fee per 200 head | Total dues cost | Association dues | Herding expense |
|------------|-----------------------------|--------------------|---------------------|--------------------|
| 1961..... | \$410 | \$1,390 | \$200 | \$1,559 |
| 1962..... | 410 | 1,390 | 200 | 1,559 |
| 1963..... | 410 | 1,737 | 250 | 1,600 |
| 1964..... | 410 | 1,737 | 250 | 1,650 |
| 1965..... | 410 | 2,085 | 300 | 1,650 |
| 1966..... | 455 | 2,085 | 400 | 1,700 |
| 1967..... | 483 | 2,085 | 400 | 2,000 |
| 1968..... | 483 | 2,085 | 400 | 2,100 |
| 1969*..... | 549 | 3,703 | (1) | ----- |
| 1979*..... | 1,230 | 7,891 | (1) | ----- |

¹ Revenue from the association.

Note: The 2 (*) lines above show what the range fee will be in 1969 and in 1979 if the proposed fee increase is added.

As an added Cost to the above table Special Assessments are levied to cover capital investment costs. This levy is changed to each permittee on a per head basis.

On the Wildhorse Allotment the Permittee invested \$2437.00 in 1966 and 1967 for the construction of fences to protect a spray area.

The Wildhorse Allotment will enter into a five year rest rotation and deferred grazing plan in 1970. This will require capital investment by each permittee to build about ten miles of fence. At present costs this will amount to \$400.00 per mile for a total of \$4000.00 in additional costs (about \$2.80 a head) with no assurance that the operator will get a return on Investment.

The permittee also is charged with the repair cost.

If the 10 to 15 days per 200 head of labor by each permittee is added at \$20.00 per day, this will amount to \$200 to \$300 added to the cost of running on Forest and BLM lands.

Permittees also invest both time and capital for water developments.

ANALYSIS

Taxes have increased by 30% in the period since 1961.

Grazing fees have increased by 16% in the same period.

If the fee increase goes into effect it will increase 10% in 1969.

By 1978 the increase will be over 200%.

The return on a 400 pound calf in 1965 was 26.00 per cwt.

The value of a 400 pound calf in 1968 was 32.00 per cwt.

The increase amounts to about 19%.

At 1968 prices it requires five extra calves to pay the taxes.

At 1968 prices it will require one extra calf to pay the grazing fee in 1969.

At 1968 prices it will require five extra calves to pay the grazing fee in 1978.

Interest costs continue to be the largest single item of farm operating expenses, accounting for 23% of the total expense.

Depreciation and taxes are the two next most expensive costs of operation.

Senator CHURCH. The next group I would like to call, to accommodate Senator Hatfield, is the Oregon group, Mr. D. E. Jones, who is president of the Oregon Cattlemen's Association; Mr. Charles Otley, chairman of the public lands committee, and Mr. Bill Farrell of Grant County.

STATEMENTS OF D. E. JONES, PRESIDENT, OREGON CATTLEMEN'S ASSOCIATION; CHARLES OTLEY, CHAIRMAN, PUBLIC LANDS COMMITTEE; AND GARLAND MEADOR, GRANT COUNTY STOCK GROWERS ASSOCIATION, GRANT COUNTY PLANNING COMMISSION; GRANT COUNTY FARM BUREAU

Mr. JONES. Mr. Chairman, on my right is Charles Otley; on my left is Garland Meador. Bill Farrell is not here and Mr. Meador will take over for him. I have just a short statement.

Senator CHURCH. Before you proceed, gentlemen, I have a statement here from Mr. Kenneth B. Pomeroy, who is chief forester of the American Forestry Association. He has elected to submit his statement in writing for the record.

(The statement referred to follows:)

STATEMENT OF KENNETH B. POMEROY, CHIEF FORESTER, THE AMERICAN FORESTRY ASSOCIATION

Mr. Chairman and Members of the Committee: I am Kenneth B. Pomeroy, Chief Forester of The American Forestry Association. The Association is a citizens organization with members in all 50 states.

The charging of appropriate fees for private use of public lands has been of concern to our members for a long, long time. This concern was voiced in an Editorial "The Grazing Lands Must Be Restored" in the September 1962 and January 1969 issues of *American Forests* magazine. The subject was covered again in the Association's 1963 Forest Congress and in its statement of policy entitled *A Conservation Program for American Forestry*.

The problem, however, goes much deeper than deciding how much to charge for grazing one animal for one month on publicly owned land.

Basically the issue is whether or not use of a resource belonging to all citizens is a privilege to be granted by the sovereign or a right to be exercised, sold or traded by the user. Determining what constitutes an appropriate fee is one aspect of the issue.

The present problem stems from the Act of June 4, 1897 (30 Stat. 35) which authorized the Secretary of Agriculture to regulate the use of the forest re-

serves; and from the Act of June 28, 1934 (48 Stat. 1269) which authorized the Secretary of the Interior to regulate the occupancy and use of Public Grazing Lands. Both Secretaries issued directives that the fees charged should be reasonable. It is this point that is being challenged now.

The present spread between the fees proposed by Federal Administrators and the rates recommended by stockmen is an outgrowth of a system peculiar to the grazing industry. Under this system the acreage of Federal land included in a grazing permit is tied to the number of animals a stockman can support on his home ranch during the non-grazing season. The original purpose of this arrangement was to prevent nomadic operators from taking forage required to support resident ranchers.

Tying the Federal permit to a specific ranch with a proviso that the permit is transferable upon sale of the privately owned property has resulted in tacit recognition of a permit value in excess of the actual value of the physical assets of the home ranch. As a consequence, new purchasers of ranch property have become accustomed to paying a premium for ranches associated with Federal grazing permits. The premium, in turn, has an effect upon the new rancher's cost of operation and upon the rate per head he can afford to pay for grazing his stock upon public land.

This premium, or permit value, is an asset which belongs to all citizens. Allowing a few individuals to capitalize upon it, is, in effect, a subsidy.

This brings us to the crux of the problem. If grazing fees for use of Federal land are increased until they become comparable with fees charged for the use of private land of similar productivity, then the asset value of a permit will decline to zero. In such a situation, grazing would be properly priced and not under-priced as it has been in the past.

If the Congress decides to roll back the increases in grazing fees announced by the Secretaries of Agriculture and Interior on January 14, 1969, then it will be saying, in effect, that grazers have a vested right to use land that belongs to all citizens.

In the view of the members of The American Forestry Association such use is not a right but a privilege.

The foregoing analysis could give one an impression that the members of The American Forestry Association are an unsympathetic, hard-hearted group. This is not so. We recognize that the proposed adjustment in grazing fees is going to create financial difficulties for some ranchers through no fault of their own. They have been caught up in a sequence of events over which they had no control. If it would alleviate their distress by spreading out the adjustments over a period of 20 years instead of 10 years as planned, we would be agreeable.

Our sole intent is to urge that use of publicly owned land, for whatever purpose, continue to be a privilege beneficial to all citizens and not a right exercised by a few.

Senator CHURCH. Please proceed.

Mr. JONES. Thank you, Mr. Chairman.

I am Denny Jones, president of the Oregon Cattlemen's Association. The following remarks were prompted by the recent proposed raise in the grazing fees to graze livestock on the public range.

In 1966 the livestock people who use the public range entered into an agreement with the Bureau of Land Management and the Forest Service to contract with the Statistical Reporting Service to conduct a survey of the cost of using public lands as compared to using private lands. There were some 10,000 samples taken using the 15 cost items listed below to arrive at the cost of an AUM.

(The list referred to follows:)

AVERAGE COSTS PER ANIMAL UNIT MONTH FOR CATTLE AND SHEEP FROM GRAZING FEE STUDY

| | Average non-fee cost per AUM on BLM lands | Average cost per AUM on private lands |
|--|---|---------------------------------------|
| 1. Capitalized grazing permit..... | \$0.87 | |
| 2. Private lease rate..... | | \$1.83 |
| 3. Lost animals..... | .60 | .40 |
| 4. Association fees..... | .04 | |
| 5. Veterinarian..... | .10 | .14 |
| 6. Moving livestock to and from allotment..... | .21 | .24 |
| 7. Herding..... | .49 | .20 |
| 8. Salting and feeding..... | .69 | .87 |
| 9. Driving to and from allotment..... | .31 | .28 |
| 10. Water..... | .11 | .07 |
| 11. Horses..... | .12 | .09 |
| 12. Fence maintenance..... | .21 | .27 |
| 13. Water maintenance..... | .20 | .10 |
| 14. Development depreciations..... | .11 | .02 |
| 15. Other costs..... | .14 | .13 |
| Total cost per AUM..... | 4.20 | 4.63 |

Mr. JONES. One of these items as you will notice was the permit value, which certainly is a cost of doing business. The formula agreed upon by the livestock people and the Government representatives was the survey mentioned above, using all 15 cost items.

The differences between the cost of running on public land versus private land would be the grazing fee, yet the Bureau of Land Management and the Forest Service elected not to use the permit value as a cost of doing business while figuring the proposed new grazing fee. The Bureau of Land Management and Forest Service contend the permit does not have a dollar value and therefore could not be used as one cost item in figuring the fee. Yet there is money loaned regularly on the permit and just recently there was Federal gift tax paid on a forest permit when it was transferred to members of the family.

We can certainly refer back to the original Taylor Grazing Act and the statement in it that said "There shall be reasonable fee charged."

The raise to \$1.25 per AUM by 1979 certainly is not reasonable and will no doubt put many livestock people who are using the public range out of business. In my home county we are about 75 percent Federal land and much of the economy of the county depends on the grazing of livestock.

I was living at my present location during the enactment of the Taylor Grazing Act and well remember the rules laid down by the act requiring an applicant for a grazing permit to have enough base property to be commensurate before a license was issued. This requirement was one of the real valuable assets to a community as it tied the ranch and the range together and made an operation that one could build future plans on.

Much of the rangeland in the Western States has had many thousands of dollars spent on them in improvements and conservation

practices, thereby preserving the range for livestock, wildlife, and recreation. It is estimated here in Oregon that big game such as deer, elk, and antelope are on private land more than 55 percent of the time, still we get no fee whatever for the forage consumed by wildlife.

It seems to me there is no justification for the exorbitant raise in grazing fees at the end of 10 years. We agree that a raise as provided for in the formula is reasonable. We also feel that to impose the entire raise on the livestock people is not in the best interest of the general public.

If the forage on the public range is priced out of reach of the livestock people, what will become of it? This is a renewable resource and if it is not harvested by livestock and wildlife it will then become a fire hazard, during the summer as well as a financial loss to the communities involved.

Mr. Chairman, I thank you very much for the privilege of reading this short presentation.

I also have a joint memorial from the Legislature of Oregon. I have a wire from them that it was passed the day I left. I would like permission to include this in the record when I get it.

Senator CHURCH. You have that permission. The record will remain open for 10 days in order to accommodate requests of this kind.

(The document referred to follows:)

OREGON STATE SENATE,
Salem, Oreg., March 6, 1969.

HON. FRANK CHURCH,
Senate Interior Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: A good friend of yours and mine, Denny Jones, President of the Oregon Cattlemen's Association who, along with a committee of Oregon and Idaho cattlemen have interested themselves in the problems created by the proposed increase in fees for grazing on public lands, has asked that copies of House Joint Memorial 12 be forwarded to you for distribution to your Interior Committee.

The Memorial came out of my committee and I carried it on the floor. I am hopeful that this Memorial which expresses the policy of the State of Oregon and which I am sure is joined in a general sense by other states with public grazing lands, may have some influence on the Department of the Interior and the influence of your office is most respectfully solicited.

Sincerely,

RAPHAEL R. RAYMOND,
State Senator.

ENROLLED HOUSE JOINT MEMORIAL 12

SPONSORED BY REPRESENTATIVES DAVIS, HART, STATHOS, SENATOR NEWBRY, REPRESENTATIVES BROWNE, DETERING, DUGDALE, HEARD, JOHNSON, KENNEDY, MARTIN, MEEKER, PRIESTLY, RIPPER, SKELTON, WILLITS, M. KEITH WILSON, SENATORS DEMENT, INSKEEP, IRELAND, M'KAY, OUDERKIRK, RAYMOND, YTURRI

To the Honorable Secretary of Agriculture and Secretary of Interior:

We, your memorialists, the Fifty-fifth Legislative Assembly of the State of Oregon, respectfully represent as follows:

Whereas the agricultural sector of this nation's economy is undergoing a period of recession; and

Whereas the increase in the fees for grazing on public lands has been proposed by the Department of Agriculture and the Department of Interior would have such detrimental economic impact on the livestock industry that the entire profit margin in many livestock operations would be removed; now, therefore,

Be It Resolved by the Legislative Assembly of the State of Oregon:

(1) The Secretary of Agriculture and the Secretary of Interior are memorialized to refrain from implementing the recently proposed increases in fees for grazing on public lands.

(2) The Chief Clerk of the House of Representatives shall send a copy of this memorial to the Secretary of Agriculture, the Secretary of Interior and to each member of the Oregon Congressional Delegation.

Adopted by House February 17, 1969.

WINSTON HUNT,
Chief Clerk of House.
ROBERT F. SMITH,
Speaker of House.

Adopted by Senate February 26, 1969.

E. D. POTTS,
President of Senate.

Senator CHURCH. Do you other gentlemen have statements?

Mr. OTLEY. My name is C. M. Otley, and I reside at Diamond, Ore. I am testifying on behalf of the Oregon Cattlemen's Association in the capacity of chairman of the Public Lands Committee, and also as an individual. My testimony will be in opposition to the recent increase in grazing fees imposed by the last administration.

First, we would oppose any drastic changes in the administration of public lands until the Public Land Law Review Commission has had a chance to report to Congress their recommendations. It was our understanding that the reason for spending millions of dollars on the Commission was to recommend the changes that should be made.

We would like to challenge the decision of the Department for omitting the permit value from the 1966 grazing fee study that we, the stockmen, agreed to. I refer you gentlemen back to the reasons for the Taylor Grazing Act of 1934. One of them being to stabilize the livestock business and also to stabilize the small communities that are so numerous in the Western States.

You gentlemen should keep in mind that the Government owns the big percentage of the land in the West. The county that I live in is 78 percent federally owned. This makes a very narrow tax base, therefore, placing the tax burden on a small number of landowners.

There is one paragraph in the Taylor Grazing Act that states: "There shall be a reasonable grazing fee charged, but the first consideration should be, what effect the amount of fee would have on the economic impact of the permittee and the community."

In my opinion, this new, unreasonable grazing fee will have a drastic economic impact. It will hurt all permittees, especially the small ones. It will cause many family ranches to sell out to larger corporations. It being a forced sale, the real estate value will be down considerably. We need all these families in our counties to make our communities; we have a place in this society and a responsibility to maintain the schools and county government.

We have to use these Federal lands in order to do this. Therefore, the permit has a value. History is very clear on such matters. Whenever ownership of the land falls into the hands of a few, prosperity and independence disappear from the country, and, not only for ranchers but for everyone. Also, we have spent thousands of dollars on the Federal lands, as well as on our base property that our permit is based on.

I would also remind you gentlemen that the Internal Revenue Department recognizes the permit value by receiving a gift tax based on \$150 permit value. This is an actual case concerning R. J. Stranbo of

Prairie City, Oreg. I am wondering how one branch of the Government can recognize the permit value and another branch will not recognize it.

In my opinion, the Interior Department of the last administration has placed the Government in a position with the individual landowner to receive a fair market price for their resource. The difference is that the individual landowner has to pay taxes out of his revenue and the Government does not.

We have been told by both Departments that the Bureau of the Budget are the people who insisted the grazing fees be upgraded to a fair market price. We are agreeable to pay the price if the permit value is included. What I do not agree with is their idea that they should take one user group that uses the public land and make them pay for all the improvements on these lands.

We have adopted the multiple-use concept, in fact, we were practicing multiple use for years before the Government adopted it. I have read articles in magazines, written by some individuals, stating that we stole the land in the West and that the Government has been subsidizing the stockmen. These statements are false. These people never give the stockmen credit for the wildlife we feed, water, and salt. The Oregon Game Commission will tell you that the deer and antelope use the private land 55 to 60 percent of the time.

To conclude my statement, I would like to say the livestock business today does not warrant the increased grazing fees unless the permit value is recognized.

Gentlemen, I thank you for the opportunity to make this statement to your committee.

Senator CHURCH. Thank you very much.

Do we have any further statements?

Mr. MEADOR. I am not used to these mikes.

I am Carl Meador, Prairie City, Oreg. I am making this presentation in behalf of the Grant County, Oreg., Planning Commission, the Grant County Farm Bureau Federation, the Grant County Stock Growers Association. These three groups have participated in cooperative study, begun before we had any idea that any of the data we were accumulating, any of the information would be used for this purpose. It was done primarily to solve our own local economic problem, which was quite vexing.

If you please, I will—I think copies of my written statement have been submitted to the committee already.

Senator CHURCH. Yes.

Mr. MEADOR. I will just highlight that and not read the entire statement, if you will let me, and give me the privilege of commenting briefly beyond that point.

Senator CHURCH. Of course.

Mr. MEADOR. To set the stage, Grant County, Oreg., is a typical high range county with the private meadows lying down along the shoe-string valleys. The next elevation is privately owned rangeland and the higher areas owned by the U.S. Forest Service.

The meadow areas along the streams are used to produce hay for winter feed and the private ranges for spring and fall grazing. The U.S. forest lands are used for summer grazing.

Big game move down onto private lands for grazing in the fall, winter and spring months. Most of the deer spend at least six months

of the year on private lands and some remain as permanent residents on these areas.

I will not read those figures. I just call your attention to the last two figures to show the comparison.

(The figures referred to follow:)

GRANT COUNTY GRAZING FEE COSTS AND RETURNS

A nation wide uniform increase in grazing fees is not realistic due to too many variable factors that need to be considered. These variables exist between private and public lands and within the public lands. Some of these variables include the following:

1. The topography of the area
2. The amount of brush or thicket cover
3. The cost of noxious and poisonous plant control
4. The loss of animals from poisonous plants
5. The distance between the range and home base
6. The variation in forage values and quantity
7. The use of forage by big game
8. The added costs created by hunters and other recreationists
9. The costs of range improvements that are shared by permittees and the U.S. Forest.

We submit two examples of allotment costs that will bring out these variables:

WOLF MOUNTAIN ALLOTMENT COSTS FOR 1968

[Example: A high Grant County cost]

| June 1-Sept. 30 | Cost or other basis | AUM cost |
|---|------------------------|----------|
| Annual capacity marketing value of permit | \$200 | \$3.00 |
| Loss of animals | 425 | .50 |
| Lease rate | | |
| Association fees | | |
| Moving livestock to and from | 754 | .88 |
| Veterinary | | |
| Herding | 1,625 | 1.91 |
| Salting | | .01 |
| Driving to and from allotment | 520 | .61 |
| Horses, at \$1 per day | 600 | .74 |
| Water | | |
| Fence maintenance | 85 | .01 |
| Water maintenance | 85 | .01 |
| Development costs | | |
| Other costs | 85 | .01 |
| Total | | 8.31 |

Note: Additional expenses for the year 1969 include $5\frac{1}{2}$ miles of new fence that will cost in excess of \$700 per mile (U.S. Forest Service estimates). The permittee will put up $\frac{1}{2}$ the cost of fence on this 300-animal-unit allotment.

Sullens allotment costs for 1968

Examples, a low Grant County cost:

| | AUM |
|-------------------------------|--------|
| Lost animals | \$4.40 |
| Association fees | .05 |
| Moving in | .36 |
| Moving out | 1.00 |
| Herding and maintenance | 1.33 |
| Salting | .30 |
| Driving to and from | .60 |
| Miscellaneous | .25 |
| Total | 3.89 |
| Depreciations | .60 |
| Totals | 4.49 |

Mr. MEADOR. Fee increases will decrease the amount of money the rancher will have to pay for improvements on his allotment which in turn will decrease the overall amount of forage produced for both domestic stock and wildlife. The amounts paid by ranchers for improvements on the Malheur National Forest lands has been substantial in the past 20 years. For example, a range improvement project on the Lemeke permit in Bear Valley cost a total of \$52,000. Of this, \$34,000 was paid by Federal funds and \$18,000 by private funds. There are 2,400 AUM's involved; so the cost per AUM was about \$22.50. These improvements will in time increase the pounds of beef produced and forage benefits to big game and benefits to the watershed and other resources.

I think that last sentence is very important. Incidentally, those figures are not exact: they are rounded for discussion purposes.

Senator CHURCH. We understand.

Mr. MEADOR. Big game a cost to the private operator—the matter of big game use of private property, especially during the fall, winter and spring months and in some areas even year long, should not be overlooked. This causes a tremendous annual loss to ranchers and, in most cases, the same ranchers that have U.S. forest permits. The famous northside winter deer studies here in this country has pointed out that deer have actually taken all of the annual forage production that should be used for good range management on a sizable share of this area. Deer exclosure areas were used as check areas to show the actual use by deer which ran from 37.5 to 64.4 percent. The average total herbage used by deer before cattle were turned on ran 31 percent. If this figure confuses you a little, the high areas were areas of particular concentration where we had these disclosures for cost study purposes. This was a study conducted over a period of several years, so it is not just a one-shot deal on this thing.

The 31 percent, which is somewhat lower, was for the entire area, embracing somewhere around 100,000 acres, over 90 percent of which was privately owned.

Plots were established to determine grass recovery after deer use. They showed that there was only 6.4-percent recovery.

The deer hunting in Grant County supplies recreation far in excess of 20,000 hunters annually. That's around three times our normal population. Statistics show that there are around 12,000 deer harvested annually or a 60-percent-success ratio. Most of these deer get at least 6 months of their annual feed from privately owned lands. Thus, the private landowners contribute heavily to this recreational resource. Incidentally, our State legislature, we are reasonably sure, is going to institute a study which in the next 2 years, we feel, will show a definite relationship, so we are not just guessing on this for you, we will be able to tell you what it really is.

The disposition of the capitalized permit value will be a real blow to the stability of the ranch economy and will also again affect the local economy. The increased cost (fee increase) without returns to grazing will leave the permittee in a much weaker position to pay off his mortgages. A loss of permit value will leave many permittees with an outstanding debt for an asset that no longer exists. Loss of these permit values will also affect property values since these permit values have been considered as part of the overall value of a ranch. They have been

bought and sold with the cattle or the ranch for years. This will in turn lower the tax value of ranches with permits thereby affecting the tax base of all properties.

The fee increase along with the disposition of the capitalized permit value will create such extreme economic situations that many permittees will be forced out of business and this also disrupts the stability of one of the two major economic segments of the county.

ECONOMIC EFFECT ON THE LOCAL ECONOMY

Proof of permit values—to show proof of the U.S. forest grazing permits actually have a value, we submit the following:

1. The sale of a permit by Oxbow Ranch to Bob Carter for the sum of \$150 per cow unit for a 4-month period.

2. The sale of a permit for 40 animal units for \$200 per animal unit by Bob Sproul to Tony Tirico. We can give you others, but those two are an example.

3. U.S. forest permits have been sold at the rate of 5 percent as far back as figures were available.

4. We also find that the Grant County assessor uses figures from \$150 to \$200 as the value of a permit when a ranch sale is made that includes a forest permit. If there is any question about how he uses this figure in determining our appraised price for tax purposes—

Senator HANSEN. Could I interrupt just for a moment, Mr. Chairman, to ask in what manner does the assessor use this figure? Is an assessment made on the tax rolls?

Mr. MEADOR. Our assessment for tax purposes, appraisal of our property, valuewise, for tax purposes, is based primarily upon comparative value. The value of the property upon which we will pay tax, those properties which are sold and do have permits, he takes this amount, varying from \$150 to \$200, away from the price for assessment purposes.

Senator HANSEN. Thank you.

Mr. MEADOR. This is the value he uses. Is that clear?

Senator HANSEN. Yes, that is.

Mr. MEADOR. The Internal Revenue Service, a branch of the Federal Government, has also set a value for a U.S. forest permit. A good example of this is the ranch division by gift of R. J. Stanbrow of Prairie City to his children. The Internal Revenue Service figured a value of \$150 per animal unit plus \$200 for the cow that went along with the permit in figuring the gift tax. Mr. Stanbrow very graciously allowed us to use this information in his report.

The Farm and Home Administration has made loans in the county for the purchase of U.S. forest permits with waivers issued by the Forest Service.

Other lending agencies have recognized the value of the permit and made substantial loans to permittees allowing the value as collateral. Private lending institutions are also issued waivers by the Forest Service, another indication of their recognition of value.

Commensurability requirement is further evidence of value. The permittee must have sufficient control of land, water, and other feed resources for cattle during that part of the year when they are not on the allotment to qualify for the permit. This would be a consideration.

Permittees should be granted the same leasehold interests that are granted by the U.S. Forest Service to recreationists such as are now in existence at the Mount Hood Lodge and the recreation area at the head of the Metolius River. These are 99-year leases. I might just, comment about that. There is a little bit of value involved there. Not too long ago, there was a sale of an acre of land under one of these kind of leases at a price of \$6,000 an acre. The buildings that are placed on these individual acres of land in this area are taxed by the local assessor. The land is not. But these leases are passed by inheritance or by sale.

As for the economic effect this would have on the local economy, we would like to present a few facts taken from a study entitled "Effects of Selected Changes in Federal Land Use on a Rural Economy," an interindustry analysis by Don Bromley, C. E. Blanch, and H. H. Stoevener, Department of Agricultural Economics, Oregon State University, Corvallis, Oreg.

This report has been referred to before and I would like at this time to ask permission that when I get home—we are very short of these reports. I think I can scare up a copy that I would be glad to send in and have it included in the record, if you would like to have it.

Senator ANDERSON. Without objection, it will be in the record at the end of your remarks.

Mr. MEADOR. This survey points out the economic significance of public land management in areas of grazing and lumber production to the local economy of Grant County.

To illustrate the relative importance of these two uses, a mathematical technique was used to qualify the economic interdependence of all business activities in this eastern Oregon county. In addition to a description of the existing situation, changes in magnitude of grazing and logging use in the county were simulated to illustrate likely impacts on the local economy.

The report brings out that agriculture is primarily livestock oriented with 86 percent of the total agricultural sales during 1964 coming from cattle and calves. These sales are directly related back to range forage production from private and publicly owned lands which are predominantly U.S. forest-administered.

In 1964, the dependent ranchers (permittees) sector generated over \$3 million worth of new money in the county (value of exports) while the lumber sector brought in \$12 million. These two activities accounted for 75 percent of the new money brought into the county in 1964.

The \$5 million spent by dependent ranches and lumber sectors accounted for 57 percent of the total spent by all businesses in the county for the purchases of necessary goods and services.

This report brings out that these moneys turn over several times so all segments of the economy were affected.

A reduction or an increase in Federal grazing can seriously affect the overall economy. For example, the report shows that a 20-percent reduction in Federal grazing has been estimated to cause an 11-percent decrease in gross ranch income. The estimated reduction is \$399,578.

Because of the interdependence, the original reduction in the ranching sector is increased to \$404,691 as firms in the county now buy less from the dependent rancher sector.

The total expected loss in business receipts for the other 13 sectors in the county is \$219,048. Thus, the reduction in the dependent ranches sector, plus this reduction in the other 13 sectors, brings the total reduction in business receipts to \$623,739.

Household—amount paid to householders for labor and management services, dividends and interest—would fall \$40,499 with a gross receipt reduction of \$404,691 to the dependent ranchers from a 20-percent reduction in Federal grazing. This would also show a loss of \$32,375 to householders outside the dependent rancher sector due to the multiplier effect. This then results in a total of \$72,844 to household incomes.

An increase in grazing fees can and will have a similar effect. On the other hand, an increase in returns—and this I think important—from Federal grazing through improved forage production would show a like effect on the profit side of the ledger for all concerned.

Incidentally, our planning commission shows that the increase could be doubled or more than doubled, through their studies, so it is very important. I am sorry I did not have time to include those figures, but the study is not complete. We had to hurry as best we could to get the figures in here.

A stabilized Federal grazing program, where permittees and Federal land managers cooperate in economically sound range management practices, will bring about these desired economic results.

RESOURCE ANALYSIS AND ECONOMICS

The Grant County Planning Commission with the cooperation of local ranchers, businessmen, and all Federal and local agencies have just completed (1969) an analysis of all the major resources in the county. This analysis covered both public and private lands and shows some tremendous potential for improving the economy and general welfare of the county. It also points out there is a great deal of correlation or joint benefits through developing these resources. The range analysis, for example, shows a potential increase in annual income to ranchers alone of \$4.4 million. There would also be a tremendous favorable benefit to big game and would materially improve watersheds by allowing more of the annual precipitation to enter the soil to come out later which would cause streams to hold their flows much later in the season. This in turn would benefit fish life, irrigation, and downstream water users. It would cut down erosion and the consequent serious sediment problems.

The Grant County resource analysis points out that the development of our resources, especially the range resources on our Federal lands, would return far more to the Federal budget than an increase in grazing fees. Past results in getting resource developments established on the ground strongly dictates the need for having these accomplishments locally oriented.

Another relation between range improvement and other resources is the timber thicket problem area. The analysis report shows in excess of 400,000 acres of timber thickets that are not producing commercial timber and producing little, if any, forage for domestic livestock or big game. The increase in forage production alone has been estimated at \$1.1 million. It has also been calculated that for every 16,500 acres thinned, an increase in the annual timber production rate of 1 million board feet would result. This would mean an additional annual income of \$360,000 and again would result in benefits to other resources such as an improvement of these areas from a watershed standpoint and this would again affect downstream irrigation, fish, and so forth.

CONCLUSIONS AND RECOMMENDATIONS

The aforementioned facts brought about through resource analysis and studies have brought the Grant County Planning Commission, the Grant County Farm Bureau, and the Grant County Stockgrowers to make the following conclusions and recommendations.

1. The nationwide uniform increase in grazing fees is not realistic. All costs and returns from an AUM should be considered along with the many other related resources. Contribution to range and related resources should be considered including private land contributions to big game.

2. The effect on permittees related resources and the local economy is certainly worthy of full consideration and should be studied further before imposing fee increases and decapitalization of permits on permittees and the local economy.

3. The county shows a population decrease. The 1965 population is only 82 percent of the peak period shown in 1954. The population loss has been due to dwindling economy. It cannot stand a further reduction that would be brought about by a grazing fee increase and the decapitalization of permits.

4. Countywide resource analysis and planning have brought out:

- (a) The need for more detailed analysis in order to:

- (1) consider all resources and get the optimum return from each.

- (2) develop cost benefit ratios in order to be able to prorate cost in line with each of the resource benefits.

- (3) determine the expenditures needed to develop all of the resources.

- (b) The need for local involvement in these resource developments in order to:

- (1) get complete cooperation from all of those that will be benefiting from these developments.

- (2) develop a local economic stability through complete involvement of those that will be affected.

- (3) get interagency and rancher cooperation on study and development projects; such as now going on in the Murderers Creek project. This project is set up to determine cost and returns to the rancher and the public. The effect on ranch

stability and the effects on range land productivity, effect on other uses of the public and private lands, including wildlife, recreation and water production.

(4) the local public land administration users and the general public understands the interrelationship of grazing to local economics and to other uses of public lands. We recommend that decisions affecting public land grazing in the country be left up to local administrators and grazing advisory boards.

(Reference material used for the presentation follows:)

REFERENCE MATERIAL USED FOR THIS PRESENTATION

Grant County Planning Commission Range Report

Grant County Planning Commission Forestry Report

Grant County Planning Commission Water Report

Grant County Planning Commission Recreation Report

The Northside Winter Deer Range Study

"Effects of Selected Changes in Federal Land Use On a Rural Economy"; D. W. Bromley, G. E. Blanch, and H. H. Stoevener (1968)

Mr. MEADOR. That is the conclusion of the statement.

Senator CHURCH. I thank you very much for it. It is a fine statement.

I will defer to Senator Hatfield here to start off the questions, this being an Oregon group.

Senator HATFIELD. Thank you, Mr. Chairman. I appreciate your consideration. I do not have any questions, because I think the statements are very self-explanatory.

I am very proud of Mr. Jones, Mr. Otley and Mr. Meador for their presence here today. I have only one thing.

Any studies or results we can get from the Murderers Creek project might be made available to this committee because I think any time anything like that that it is possible for the committee to receive would be helpful to this committee, whether it is in time for the record of the committee or not, so I would make that one request to you, that you might get that material or any data you would have on that.

Mr. MEADOR. I would like to outline it very briefly, if I may. We will send it to you.

This is a new project just begun. It is an outgrowth partly of the Northside project which was begun because of the conflict between big game and recreation interests, the game commission, and the landowner. We developed a program there that took us from the very bitter situation, misunderstanding, to one where we cooperate quite well and the success of that and the Murderers Creek followup is very necessary.

The reason I would like to mention this is because all of the agencies involved are cooperating. Yet here is what happened in this instance. One of the operators involved was presented with a program from the Bureau of Land Management, from the Forest Service, and from

the Soil Conservation District. It was beyond his economic capabilities to fulfill such a broad program in any 1 year's time. So these three agencies are getting together as of probably this week. They will resolve what's of prior importance and they will assign priorities to this and put it on a continuing overall program, over several years.

Now, in this study, it involves a complete watershed, a complete Murderers Creek watershed. With all these agencies involved, the use of the area is going, to a certain degree at least, to fail to recognize ownership boundaries. This is a little unusual, I believe, but it will be based in the basic planning on what is the best use for this land, considering all factors involved in land use. And quite important, too, and not overlooked, and I do not think emphasized enough, has been this erosion situation.

Senator HATFIELD. I think, Mr. Chairman, if I may interrupt just a moment, I asked that the committee be provided with some data on this Murderers Creek project, which is a terribly unique one, along the lines of the Vale project in terms of getting interagency activity and multiple use of land and so on. The gentleman has said they will provide that to us at a later date.

Senator CHURCH. That will be very important for the committee to have.

(The material referred to follows:)

GRANT COUNTY STOCKGROWERS ASSOCIATION,
Canyon City, Oreg., March 3, 1969.

HON. FRANK CHURCH,
Chairman, Senate Public Lands Sub-Committee,
Washington, D.C.

DEAR SENATOR CHURCH: I am sending you a supplementary report for the grazing fee hearing upon the request of Garland Meador who presented the testimony for the Grant County Planning Commission, the Grant County Stockgrowers Association and Grant County Farm Bureau to the Senate Committee on Interior and Insular Affairs. A copy has also been sent to Senator Mark O. Hatfield.

Garland phoned and said there was interest in how our Inter Agency Group had been functioning since it was originated in 1950, especially as it related to the Northside Deer Problem, Our Resource Development Project. He also wanted a statement on what this group was doing on the Murders Creek Resource Development Project.

Information concerning grazing by cattle and deer is included in the supplemental report.

We hope you and this Committee will find this information of value in your deliberations on the grazing fees.

Garland indicated that you wanted a copy of the study made here in Grant County entitled "Effects of Selected Changes in Federal Land Use on a Rural Economy." Authors: D. W. Bromley, G. E. Blanch and H. H. Stoevener all of Oregon State University.

We are enclosing two copies of this publication.

Sincerely,

WILLIAM K. FARRELL,
Secretary, Grant County Stockgrowers Association.

[Enclosure]

Effects of Selected Changes in Federal Land Use On a Rural Economy

D. W. BROMLEY, G. E. BLANCH, and H. H. STOEVENER

Summary and Conclusions

Increasing conflicts over the use of publicly owned lands have created a considerable degree of interest among those concerned with natural resource management. Many questions need answers, not only on the matter of individual firm impact from changes in land resource use, but on the social costs and benefits that result.

The research reported here was concerned with detailing the use of public lands for livestock grazing in eastern Oregon and the study of a smaller area economically dependent upon federal land use in an attempt to show the importance of range livestock grazing and timber production to the economic well-being of the area. Grant County, in central eastern Oregon, was selected as the area to be studied.

Range livestock production in eastern Oregon is an important use of federal lands. In 1964, over 1,500 permits or licenses were issued by the Forest Service and the Bureau of Land Management (BLM) on the 13 administrative units in eastern Oregon. Over 291,000 cattle (over 6 months of age) and horses were grazed for a total use of over 1,219,000 animal unit months. Federal rangeland provided approximately 13% of the annual forage requirement of eastern Oregon cattle and 40% of the necessary forage for all cattle in eastern Oregon during the 4-month grazing season which predominates in much of the area.

The allocation of federal grazing permits is strongly oriented toward the smaller ranches, although the majority of total use is made by the larger ranches: 75% of the permittees (those who own fewer than 400 breeding cows) were allocated 38% of the forage; 25% of the permittees (those who own more than 400 breeding cows) were allocated 62% of the forage.

An input-output model was constructed for Grant County to show the nature and extent of economic interdependence in a rural economy which is dependent upon several uses of federal lands. The county agriculture is primarily centered on range livestock with over two thirds of the full-time ranches holding permits for national forest or BLM rangeland. Over three fourths of the logs harvested in the county in 1964 were from national forest lands. These two activities, range livestock production and lumber, accounted for almost 40% of the

total economic activity in the county in 1964. The exports of these two sectors derived a substantial quantity of "basic income" for the area. Basic income is new money which is brought into an economy as a result of exporting locally produced goods.

The Dependent Ranches sector¹ (comprised of ranches with federal grazing permits) exported 83% of its nearly \$4 million gross output, thus generating approximately \$3 million worth of basic income. The Lumber sector exported 90% of its nearly \$14 million gross output which generated \$12.5 million in basic income. These two activities accounted for 75% of the basic income brought into the economy in 1964 (almost \$16 million out of a total of \$21 million).

The importance of federal grazing and lumber can better be illustrated by examining the proportion of each dollar of gross output which was spent in the local economy. The Dependent Ranches sector spent \$0.48 out of every dollar of gross sales for the purchase of intermediate factors (those used in the further production of output). This amounted to \$1,792,539. All other agricultural producers (called Other Agriculture sector) spent \$0.49 out of every dollar for factor purchases, but because the sector's gross output was less than one fourth that of the Dependent Ranches, this amounted to only \$525,295. Thus, over 75% of the purchases of necessary supplies was made by two thirds of the county's ranchers.

The Lumber sector spent \$0.24 out of every dollar of gross output for factor purchases, but because its output was large, this amounted to \$3,304,324 (versus \$2,317,834 for both agricultural sectors).

The two activities (range livestock production and lumber) were responsible for 57% of the interbusiness trade in the county; that is, of the purchases of intermediate factors of production by all of the county's businesses, 57% came from these two sectors.

The Dependent Ranches sector spent \$0.10 per dollar of gross sales for labor and management services, and the Lumber sector spent \$0.30 per dollar of gross sales. Total payments to households by the Lumber sector

¹ Throughout the remainder of this bulletin names of the sectors from the input-output model will be capitalized.

alone amounted to \$4,180,952, which represents 40% of the total household income paid by all other commercial and agricultural firms and government agencies in the county.

In addition to the analysis summarized above, two hypothetical changes in federal land use were simulated to detail the possible impact on the county's businesses and households. The changes were: 1) a 20% reduction in the total quantity of federal grazing in the county; and 2) a 10% increase in the gross output of the Lumber sector.

A recent study sponsored by the Forest Service and the Bureau of Land Management was concerned with changes in ranch income resulting from a 20% reduction in the quantity of federal range use. These data were utilized to arrive at new levels of business activity in the Grant County economy. A 20% reduction in federal grazing would reduce gross income for the entire Dependent Ranches sector by 11%, bringing the new total sector output to \$3,321,665. This reduction of \$399,578 is the direct effect of the reduction in federal land use. It is not the total effect, however. When this reduction is traced through the model and the secondary effects are included, the remaining 13 sectors in the county will have their total output reduced by \$219,048. With this lower gross output, they will in turn purchase fewer inputs from the Dependent Ranches sector. An additional \$5,113 reduction will occur in the Dependent Ranches sector, bringing the total of direct and indirect effects to \$404,691. In total then, a 20% reduction in the quantity of federal grazing in Grant County is estimated to cause a \$623,739 loss of gross business income to the commercial and agricultural businesses of the county.

The reduction in business income, or gross receipts, is not the only reduction which would result. When businesses (commercial or agricultural) are forced to reduce output while maintaining the same labor force as before, average (unit) costs rise. When this occurs, businesses seek ways to reduce expenditures on variable cost items. For most businesses, labor costs are less "fixed" than other variable costs. In agriculture, with family labor as a residual, the return to this factor is extremely variable. As a result, payments to households for labor and management services might be expected to decrease. The computation of an income multiplier reveals the extent of this decreased household income. The Dependent Ranches sector has a household income multiplier of 1.80; this means that for a \$1.00 decrease in the household income of the Dependent Ranches sector, total county household incomes will decrease an additional \$0.80.

The reduction in payments to the Household sector by the Dependent Ranches sector, as a result of a 20% reduction in grazing, was \$39,563. Multiplying this figure by the household income multiplier of 1.80 yields a total household income loss of \$71,280.

Therefore, a 20% reduction in federal grazing use is estimated to cause county businesses to experience a decrease in total sales of \$623,739 and to reduce their payments to households in the county by \$71,280.

A 10% increase in the output of the Lumber sector was simulated because better forest management techniques and past conservation measures have supposedly increased the quantity of harvestable timber in the county. This 10% increase in output would amount to \$1,388,667 and raise the total output of the Lumber sector to \$15,275,337. This increase would cause an increase of \$269,631 in the output of the other 13 sectors in the economy. With a greater output in the Lumber sector, the amount of intra-sector trade would increase by \$125,945, bringing the total increase in the gross sales of the Lumber sector to \$1,514,612. The total increase for all county businesses (including the Lumber sector) would be \$1,784,243.

County household incomes would increase \$1.17 for every \$1.00 increase in household income of the Lumber sector. The 10% increase in gross sales of the Lumber sector would cause a \$456,013 increase in household incomes in that sector and a subsequent additional increase in the other 13 sectors of \$77,401, bringing the total impact on household incomes in the county to \$553,414.

An indication of which sectors would have the greatest impact on total business and household income was given. Increased tourist business in Grant County would have an impact upon two sectors which have the first and fourth highest business income multipliers, respectively, of the 14 sectors in the economy. The Cafes and Taverns sector has a business multiplier of 1.60, which indicates that for a \$1.00 change in the output of that sector, total county business income will change an additional \$0.60. The Lodging sector has a business income multiplier of 1.52. Both of the agricultural sectors are high; the Other Agriculture sector is tied for highest with 1.60, while the Dependent Ranches sector is third with a business multiplier of 1.56. Increased output in any of these 4 sectors would benefit total county business income more than would a similar increase in any of the other 10 sectors (the next largest multiplier is 1.29 in the Construction sector).

In addition to the business income multiplier, a comparison of household income multipliers indicates that these same sectors are the top four in the county. Dependent Ranches is first with an income multiplier of 1.80, which has been noted earlier. The Other Agricultural sector is next with a household income multiplier of 1.53, followed by the Lodging sector with 1.48 and the Cafes and Taverns sector with 1.26.

Increases or decreases in the output of any, or all four, of these sectors would have a greater impact on business income, as well as household income, than similar changes in any of the other 10 sectors in the county.

While the situation in Grant County has been outlined, an important question is: How closely do the re-

sults approximate the situation in the rest of eastern Oregon? An important point is that the production of livestock or harvested timber is basically the same between and among somewhat similar regions. For example, beef production in Grant County requires approximately the same quantity of the various inputs *per dollar* of output as does beef production in other reasonably similar areas. What will be different is the relative importance of extensive range-livestock ranching operations in the total county agricultural picture and the relative importance of agriculture in the county. Grant, Harney, and Lake counties appear to be somewhat similar in these respects, and thus they might be expected to have fairly similar trade relationships between ranch-

ers and the rest of the economy. Baker, Wallowa, Deschutes, Crook, Wheeler, Malheur, Klamath, and Union counties, in the order given, rank behind those counties indicated as being similar to Grant. Intersectoral relationships found in Grant County would be less likely to represent conditions in the latter counties. The remaining eight counties have such an insignificant public range-beef sector that it is difficult to predict, with any certainty, the likely impact.

The eastern Oregon lumber industry was not studied in the same detail as was the livestock industry; therefore, generalization from the relationships in Grant County is not attempted in this area.

Introduction

Attitudes concerning the use of the vast federal land holdings in the West are undergoing considerable change. Until recently, commercial use of federal lands went unquestioned. There was no general demand for recreation use; lumber, livestock, and mineral extraction were the only active pursuits. With increased interest in outdoor recreation, some people have expressed concern over commercial use of public lands for private gain when these uses in any way conflict with what are considered to be the true "public uses." The extent to which these feelings are reflected in policy decisions has not been determined. However, many proposals have been made to increase the number of areas set aside as wilderness, primitive areas, and other types of single-use tracts.

Federal land comprises a significant portion of the total land area of the West; 65% of the collective land area of the 12 western states (not including Hawaii) is owned by the federal government. These holdings in the West constitute 94% of all federal lands. Oregon, with 52% federal land, is ranked sixth out of the 12 western states in the proportion of federal holdings.

Ninety-five percent of the total federal land is controlled by two agencies: the Department of the Interior with 71%, and the Department of Agriculture with 24%. The Bureau of Land Management (BLM) administers 88% of the land held by the Department of the Interior, and practically the entire amount is in the 12 western states. The vast majority of the BLM lands (excluding the O and C timber lands in western Oregon) is in organized grazing districts, while the remainder consists of widely scattered parcels administered under a separate section of the Taylor Grazing Act. The Forest Service administers over 99% of the land controlled by the De-

partment of Agriculture. Eighty-six percent of this land is found in the 12 western states (1, 18).²

Federal grazing lands have been used in conjunction with privately held land resources for the production of livestock since the settlement of the West. At the inception of the Forest Service, and later the Bureau of Land Management, this use was legitimized by granting grazing permits or licenses. Associated private lands have acquired an artificially high value because federal grazing permits give access to a factor of production which ranchers do not control in the same sense in which they control other factors of production.

Many communities have developed because of the policy of granting the original grazing permits to local users instead of transients. These communities serve as sources of supply and also as market outlets for the ranching sector. Because of this long history, it is not an easy matter to alter use patterns without causing economic loss to commercial and agricultural businesses.

The nature of the forage on most federal lands, and the resulting administration, relegates them to a role of providers of seasonal grazing. They can be used at certain times of the year only, and usually it is not an easy matter to provide substitute forage for the seasons of the year when use of federal lands is greatest. To curtail or deny use of the federal range portion of the ranching operation can often mean that the privately held land resources are much less valuable and perhaps economically worthless in extreme situations.

Timber production is also an important economic activity dependent upon federal land. Almost 58% of the commercial forest land in Oregon is administered

² Italic numbers in parentheses refer to Literature Cited, page 25.

by the federal government, with the Forest Service responsible for 81%. In eastern Oregon, 65% of the logs harvested in 1964 were from Forest Service land (12). Eastern Oregon contains almost 2.5% of the nation's commercial forest land, has over 4.5% of the nation's softwood (ponderosa, sugar, and white pine) timber volume, and produces 6% of the country's softwood lumber (6).

As with livestock, the rural economies of eastern Oregon are quite dependent upon the lumber industry. Over two thirds of the jobs in manufacturing industries in eastern Oregon are with lumber-oriented activities. The lumber industry, unlike the range livestock industry, is relatively labor intensive. A fairly large share of the gross receipts in the lumber industry goes to pay wages and salaries, which, in turn, are spent in the local communities for household and other needs.

Both of these activities, lumber and livestock, are similar in one important respect. They utilize an existing natural resource and turn it into a useable product. The product produced by each, which can be thought of as an intermediate good, is normally exported out of the immediate area and creates what is termed "basic income." This new money is always a significant stimulant to the economic well-being of an area. These two uses are not the only creators of outside income; tourists and recreationists (hunters and fishermen included) who stop in an area also bring new money into a local economy. One cannot specify in advance just what pattern is of the greatest economic advantage to a particular area. There are many areas in the Pacific Northwest, such as Grant County, that are heavily dependent upon the export of raw materials. Most such economies would like to become more self-sufficient; that is, to place greater emphasis on manufacturing and processing. However, such self-sufficiency should not come at the expense of economic efficiency. No doubt there are many economies, such as the one being studied here, that will continue to depend heavily for a significant period of time on the export of raw materials as the main stimulus to economic activity.

Because of this interdependence between the uses of federal lands and the economic well-being of many rural communities, there is need for more information on the

economic importance of these uses in areas where federal lands predominate.

Objectives and Organization of the Study

The objectives of this study were: 1) to depict the extent of grazing of domestic livestock on public lands in Oregon; 2) to ascertain the extent of economic activity attributable to the use of public lands as a source of feed for cattle operations in Grant County, Oregon; and 3), based upon the findings of objective two, to project the impact of adjustments in federal grazing on the total sales of the businesses in this county and the resultant change in household income of the area's residents. In addition, the expected economic impact from an increase in the allowable timber harvest in Grant County will be detailed.

A brief overview of grazing activities in eastern Oregon will be presented. The majority of the material is from the files of the United States Forest Service and the Bureau of Land Management, and it was obtained through the assistance and cooperation of these two agencies. A sample of the ranches in each administrative unit^a was drawn to detail the size distribution and extent of the use of federal lands by ranches of various sizes. Grant County, in central eastern Oregon, was selected as the area in which to concentrate the analytical portions of the study. This county has a substantial acreage of federal land and its economic well-being is dependent upon several uses of this land. Data on business activity and the interdependence of this trade was obtained for the 1964 calendar year. This data was collected through personal interviews with 30% of the county's commercial businesses and through questionnaires mailed to the agricultural producers in the county. Input-output analysis was utilized to quantify the interdependence of economic activity and to project the postulated impact on business and household incomes, both from a change in the quantity of federal grazing in Grant County and from an increase in the allowable timber harvest.

^a Throughout the remainder of this bulletin, a grazing district (BLM) or a national forest (Forest Service) will be referred to as an "administrative unit."

Grazing on Federal Lands

Use of federal lands in eastern Oregon for domestic livestock grazing is quite significant. In 1964 over 291,000 cattle (over 6 months of age) and horses were grazed on the public lands in the 13 administrative units listed in Table 1. There were an estimated 790,000 animal-unit-equivalents in the 19-county area of eastern Oregon on December 31, 1964. These 790,000 animal-unit-equivalents would require approximately 9,480,000 AUM's of feed in a 12-month period.⁴ The two federal agencies issued licenses or permits for 1,219,939 AUM's of grazing for 1964, which represents 13% of the annual requirement for these animal-unit-equivalents. However, because federal range is only a seasonal supply of forage, this figure underestimates the dependence of the ranching community upon the federal range during the season when the majority of this use is permitted—June, July, August, and September.⁵ During this 4-month

period, the 790,000 animal-unit-equivalents in eastern Oregon would require 3,160,000 AUM's of forage. The quantity licensed by the two agencies (1,219,939) represents 39% of the estimated requirement. Thus it is seen that during the summer grazing season, federal range provided an estimated 40% of the required forage in 1964.⁶

In addition to the above use, over 400,000 acres of Section 15 lands administered by the BLM are leased by the acre rather than by the AUM. Accurate figures on the use of these lands are not available, and they were not included in the rough estimates presented in Table 1. Therefore, it is reasonable to assume that these estimates represent an understatement of the significance of federal grazing lands to eastern Oregon's livestock industry.

Table 2 presents information obtained from the Forest Service and the BLM for 12 of the 13 administrative units (all except Umatilla) listed in Table 1.⁷ The

forage is spring-fall range. It might be used from May 15 to July 15, and then again from August 15 to October 15. In addition, some areas of southeastern Oregon are winter range, and use in these regions might occur during November, December, January, and February. It is reasonable to say, however, that the four months listed are the time of year when the majority of livestock use occurs.

⁴ Although horses are included in the agency figures of use, their number is small enough to have a negligible effect upon the precision of these estimates.

⁵ The Umatilla Forest lies in Washington and Oregon, and difficulty in separating data for Oregon precluded the inclusion of the Umatilla permittees in computing the information contained in Table 2.

⁴ An AUM is the accepted index of forage requirement. An animal unit is considered to be 1,000 pounds of live weight, or a cow and a calf. The quantity of forage consumed by the cow and her calf in one month is an animal unit month of forage, abbreviated AUM. An animal-unit-equivalent is the equating of other classes of livestock to an AUM. Yearling heifers and steers equal .75 animal units, and a bull equals 1.5 animal units. A cow, calf, bull, and yearling would equal 3.25 animal-unit-equivalents.

⁵ Obviously, the grazing season throughout Oregon is not restricted to these exact four months. The sample of 231 permit holders in eastern Oregon indicates a grazing season that averages between 4.1 and 4.5 months in length. Certain regions, such as some in southeastern Oregon, have a grazing season that is 5 to 6 months long, but these are offset in averaging by permits in regions where a 3-month grazing season exists. This 4-month season is also not necessarily 4 consecutive months. Much range

Table 1. Number of Grazing Permits Issued, Number of Cattle and Horses Grazed, and AUM's of Use Made by Cattle and Horses, by Administrative Unit, Oregon 1964¹

| Forest Service | | | | Bureau of Land Management | | | |
|------------------------------|-----------------------------|--------------------------|---------|---------------------------|----------------|--------------------------|---------|
| Administrative unit | No. of permits ² | No. of cattle and horses | AUM's | Administrative unit | No. of permits | No. of cattle and horses | AUM's |
| Wallowa-Whitman ³ | 119 | 20,655 | 113,788 | Baker | 193 | 31,597 | 66,748 |
| Winema | 19 | 2,148 | 7,411 | Burns | 187 | 56,561 | 246,691 |
| Rogue River | 52 | 2,842 | 9,126 | Vale | 302 | 78,435 | 399,211 |
| Ochoco | 67 | 6,865 | 24,391 | Prineville | 193 | 17,830 | 73,641 |
| Malheur ⁴ | 129 | 19,244 | 77,368 | Lakeview | 108 | 34,468 | 138,861 |
| Fremont | 55 | 11,972 | 31,352 | | | | |
| Umatilla | 76 | 6,033 | 25,057 | | | | |
| Deschutes | 18 | 2,480 | 8,294 | | | | |
| TOTALS | 535 | 72,239 | 296,787 | | 983 | 218,781 | 923,152 |

¹ Source: Annual grazing statistical reports of the Forest Service and the Bureau of Land Management, 1964.

² The 535 forest permits are term permits only. These differ from the temporary permit in that the rancher is more or less "guaranteed" the term use each year, whereas the temporary permit is an annual arrangement predicated upon forage availability. Total paid Forest Service permits numbered 779. The total of 1,762 permits (779 Forest Service, 983 BLM) is not the number of different ranches with permits, as approximately 40% of the ranches in the sample held permits with both agencies.

³ The portion of the Wallowa-Whitman National Forest south of the Umatilla (see Figure 1, page 10) is administered through the Malheur Forest. Therefore, all figures and references to the Malheur include this portion of the Wallowa-Whitman Forest.

Table 2. Characteristics of Eastern Oregon Cattle Ranches Having Federal Grazing Permits on BLM and Forest Service Lands, 1964¹

| (Twelve Administrative Units) | | | | | | | | | |
|-------------------------------|-----------------------------------|-----------------------|--|--|--|--|---|---|---|
| Ranch size (1) | Number of breeding cows owned (2) | Number of permits (3) | Average number of cows owned per permittee (4) | Average number of animal units licensed per permit (5) | Average number of animal units licensed as a percent of cows owned (5) ÷ (4) (6) | Average number of AUM's per permit (7) | Percent of total permits in each size group (8) | AUM's of use made by each size group ² (3) × (7) (9) | Percent of total federal use made by each size group (10) |
| Small | 0-199 | 743 | 96 | 64 | 67 | 273 | 52 | 202,839 | 18 |
| Medium | 200-399 | 333 | 271 | 159 | 59 | 666 | 23 | 221,778 | 20 |
| Large .. | 400-999 | 272 | 607 | 334 | 55 | 1,486 | 19 | 404,192 | 36 |
| Extra large | ≥1,000 | 94 | 1,573 | 671 | 43 | 3,038 | 6 | 285,572 | 26 |
| TOTALS .. | | 1,442 | | | | | 100 | 1,114,381 | 100 |

¹ Figures are for a sample of term permit holders on the 12 forests (Umatilla excluded) listed in Table 1 and all permit holders on 5 eastern Oregon BLM districts.

² The total AUM's of the four size groups is less than the actual use of 1,194,882 AUM's. Most of the error is due to the restriction to term permits only on national forests, whereas the 1,194,882 AUM's includes all paid permitted use for the area in 1964. Another possible source is that average use of sampled ranches was obtained for each of the four size groups, and some error resulted when this average was multiplied by the number of permittees in each group.

size breakdown was obtained by recording the numbers of breeding cows reported as owned by each permittee on his annual grazing application. The number of permits is derived from Table 1 and includes all BLM permittees and term permit holders on all forests except the Umatilla.

Column 6 of Table 2 indicates an inverse relation between the size of the ranch and the proportion of breeding stock licensed on the federal range. Considerably fewer livestock from the larger ranches are permitted on the federal range than from the smaller ranches. Probably the primary reason for this situation is the upper limit restriction on the number of livestock which are allowed to graze the national forest; no permit holder can graze more than 600 cattle. The upper limit was 300 cattle until several years ago, and the full effects of the increased limit have not been realized. There is no upper limit on BLM ranges.

Column 8 indicates the proportion of grazing permits held by each of the four size groups. Over 50% of the permits are held by ranches which are considered by some to be uneconomical (17). Depending on the region, a ranch is considered marginal unless it has 200 to 250 cows.

The allocation of federal grazing use to the various size ranches is illustrated in Column 10 of Table 2. The small and medium-size ranches held 75% of the grazing permits in 1964, yet used only 38% of the forage licensed for that year. The large and extra-large ranches held 25% of the permits, yet were licensed for 62% of the forage. It becomes evident that the vast majority of the permits are held by the smaller ranches, but the major grazing use is made by the larger ranches.

Table 3 is a compilation of secondary data and is intended to help illustrate the various aspects of eastern Oregon counties, primarily land ownership and agricultural attributes. Those counties with a large percentage of Forest Service or BLM lands, and with their major agricultural product value comprised of the sale of cattle and calves, are the ones where the more extensive, range-livestock ranching operations predominate. The information in Table 3 will be utilized when discussing the effects of possible changes in federal land use.

Consideration is given next to an eastern Oregon county where both range-livestock and timber production are dependent upon federal lands.

Table 3. Federal and State Land Ownership, Value of Agricultural Products Sold, Value of Livestock and Livestock Products Sold, and Value of Cattle and Calves Sold, Nineteen Eastern Oregon Counties, 1964¹

| | Baker | Crook | Deschutes | Gilliam | Grant | Harney | Hood River | Jackson | Jefferson | Klamath | Lake |
|---|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|-----------|
| Forest Service (Acres) | 644,953 | 434,792 | 966,846 | 0 | 1,557,265 | 516,739 | 210,346 | 427,823 | 268,902 | 1,615,549 | 1,025,918 |
| (Percent) | 33 | 23 | 50 | — | 54 | 8 | 63 | 24 | 23 | 42 | 19 |
| BLM (Acres) ² | 301,416 | 493,290 | 430,645 | 32,038 | 172,485 | 3,988,344 | 276 | 43,007 | 26,162 | 188,752 | 2,545,501 |
| (Percent) | 15 | 26 | 22 | 4 | 6 | 62 | Trace | 2 | 5 | 48 | 5 |
| State Land Board (Acres) | 9,994 | 25,242 | 24,381 | 1,650 | 4,950 | 217,069 | 1,010 | 2,262 | 433 | 13,867 | 89,346 |
| (Percent) | Trace | 1 | 1 | Trace | Trace | 3 | Trace | Trace | Trace | Trace | 2 |
| Other (Acres) ³ | 1,017,397 | 953,876 | 515,408 | 741,352 | 1,165,780 | 1,762,328 | 126,928 | 1,329,788 | 852,663 | 2,004,552 | 1,632,035 |
| (Percent) | 52 | 50 | 27 | 96 | 40 | 27 | 37 | 74 | 75 | 53 | 31 |
| Total (Acres) | 1,973,760 | 1,907,200 | 1,937,280 | 775,040 | 2,900,480 | 6,484,480 | 338,560 | 1,802,880 | 1,148,160 | 3,822,720 | 5,292,800 |
| Value of all agr. prod. sold, 1964 (Dollars) ³ | 8,061,000 | 7,219,000 | 4,835,000 | 5,732,000 | 4,113,000 | 5,763,000 | 6,156,000 | 14,326,000 | 16,471,000 | 24,033,000 | 5,000,000 |
| Value of all livestock and live- stock prod. sold—1964 ³ (Dollars) | 5,200,000 | 3,983,000 | 3,682,000 | 1,148,000 | 3,865,000 | 5,236,000 | 621,000 | 6,135,000 | 2,777,000 | 11,388,000 | 4,110,000 |
| Percent of value of agric. prod. sold which was from live- stock and livestock products.. | 77 | 55 | 76 | 20 | 94 | 91 | 10 | 43 | 17 | 47 | 82 |
| Value of all cattle and calves sold—1964 (Dollars) ³ | 4,993,000 | 3,439,000 | 1,668,000 | 990,000 | 3,552,000 | 4,860,000 | 119,000 | 2,460,000 | 2,290,000 | 9,300,000 | 3,704,000 |
| Percent of value of livestock and livestock prod. sold which was from cattle and calves | 81 | 86 | 45 | 86 | 92 | 93 | 19 | 40 | 82 | 82 | 90 |
| All cattle on farms—1964 ⁴ | 96,000 | 59,000 | 33,000 | 22,000 | 59,000 | 109,000 | 5,000 | 55,000 | 33,000 | 114,000 | 83,000 |

| | Malheur | Morrow | Sherman | Umatilla | Union | Wallowa | Wasco | Wheeler | Area Totals | State Totals | Area as percent of state |
|---|------------|-----------|-----------|------------|-----------|-----------|-----------|-----------|----------------|-----------------|--------------------------------|
| Forest Service (Acres) | 3,831 | 136,176 | 0 | 401,924 | 617,827 | 1,139,037 | 209,747 | 165,021 | 10,342,696 | 15,001,833 | 69 |
| (Percent) | Trace | 10 | — | 19 | 48 | 56 | 14 | 15 | 14 | 15 | — |
| BLM (Acres) ² | 4,613,167 | 47,082 | 41,182 | 34,764 | 6,452 | 19,089 | 35,845 | 85,524 | 13,109,021 | 13,299,411 | 99 |
| (Percent) | 73 | 4 | 8 | 2 | Trace | 1 | 2 | 8 | 8 | 8 | — |
| State Land Board (Acres) | 262,898 | 104 | 1,317 | 1,612 | 1,189 | 2,172 | 2,237 | 3,951 | 665,684 | 771,304 | 86 |
| (Percent) | 4 | Trace | Trace | Trace | Trace | 1 | Trace | Trace | Trace | Trace | — |
| Other (Acres) ⁴ | 1,436,904 | 1,134,398 | 488,701 | 1,629,540 | 675,012 | 873,622 | 1,279,851 | 833,984 | 20,454,119 | 32,569,052 | 63 |
| (Percent) | 23 | 86 | 92 | 79 | 42 | 42 | 84 | 77 | 77 | 77 | — |
| Total (Acres) | 6,316,800 | 1,317,760 | 531,200 | 2,067,840 | 1,300,480 | 2,033,920 | 1,527,680 | 1,092,480 | 44,571,520 | 61,641,600 | 72 |
| Value of all agr. prod. sold, 1964 (Dollars) ³ | 34,403,000 | 7,681,000 | 6,687,000 | 31,962,000 | 9,781,000 | 4,937,000 | 8,291,000 | 1,818,000 | 207,179,000 | 428,990,000 | 43 |
| Value of all livestock and live- stock prod. sold—1964 ³ (Dollars) | 13,560,000 | 1,982,000 | 724,000 | 11,382,000 | 4,116,000 | 3,378,000 | 2,503,000 | 1,431,000 | 88,221,000 | 178,500,000 | 49 |
| Percent of value of agric. prod. sold which was from live- stock and livestock products.. | 39 | 26 | 11 | 36 | 42 | 68 | 30 | 79 | 42 | 42 | — |
| Value of all cattle and calves sold—1964 (Dollars) ³ | 8,400,000 | 1,510,000 | 613,000 | 8,178,000 | 2,979,000 | 2,458,000 | 1,669,000 | 1,134,000 | 63,316,000 | 77,749,000 | 81 |
| Percent of value of livestock and livestock prod. sold which was from cattle and calves | 62 | 76 | 85 | 72 | 72 | 73 | 67 | 79 | 72 | 44 | — |
| All cattle on farms—1964 ⁴ | 186,000 | 34,000 | 12,000 | 108,000 | 45,000 | 47,000 | 38,000 | 26,000 | 1,164,000 | 1,599,000 | 73 |

¹ All acreage figures for federal land as of June 30, 1961. Source: "Federal Land in Oregon," W. B. Carolan Jr., M.S. Thesis, Department of Natural Resources, OSU, Oct. 1962. All acreage figures for state land as of June 30, 1964. Source: Biennial Report of the Oregon State Land Board, 1962-64.

² Public Domain only—does not include O & C land.

³ Source: OSU Extension Service.

⁴ Source: OSU Extension Service; numbers as of Jan. 1, 1965.

⁵ Includes private, city, and small isolated tracts of federal lands (Postoffice, etc.).

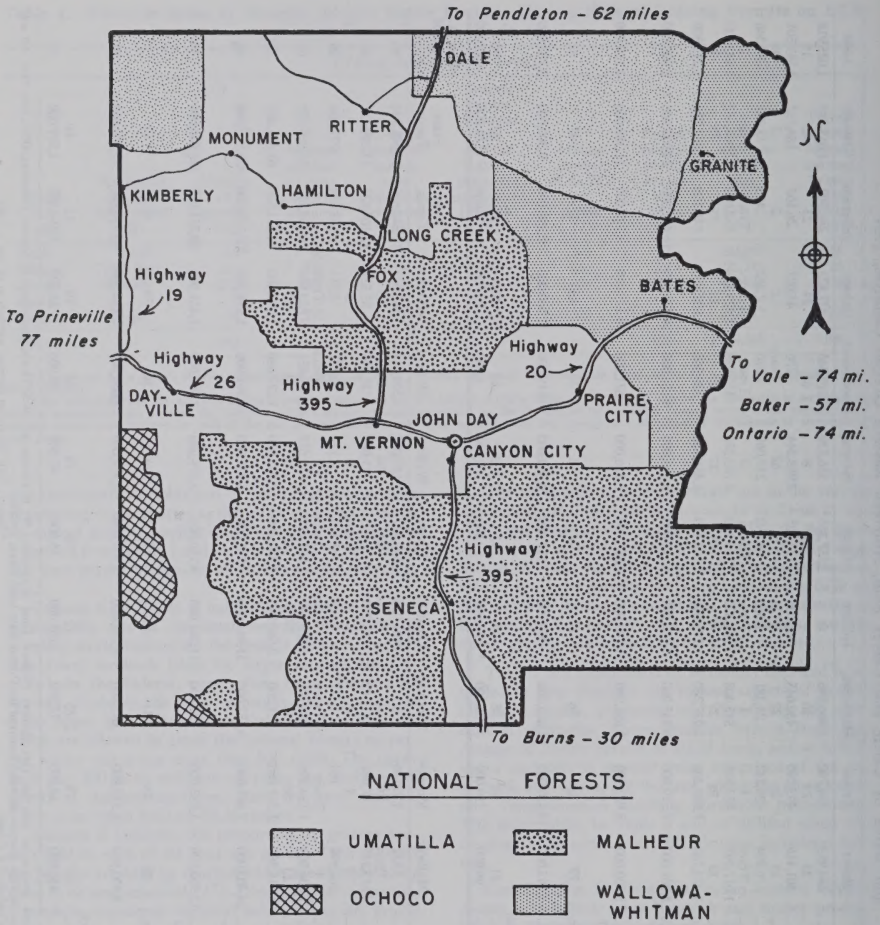


Figure 1. Map of Grant County, Oregon.

The Input-Output Model

To analyze the relationship between production on federal lands and its impact upon the local economy, it was found necessary to select a smaller area in eastern Oregon in which a more detailed analysis might be conducted. Grant County, in central eastern Oregon, was chosen for this purpose. Certain economic and physical attributes of the county made it a logical choice. First, federal grazing and timber lands comprise approximately 60% of the total land area of Grant County. The county lies in a transition zone between the desert of southeastern Oregon and the more mountainous north-eastern portion of the state, and thus, although timber production and grazing are important activities, there is a great potential for recreational development. Third, unlike some of the other eastern Oregon counties, the use of federal lands is not predominantly grazing or timber production, but a balance of both uses. Grazing is a very important activity, yet total gross receipts in the lumber industry in 1964 were nearly three times larger than total agricultural receipts.

Grant County (Figure 1) is situated at the southern end of the Blue Mountains and encompasses practically the entire principal watershed of the John Day River. Most of the eastern boundary follows the crest of the Blue Mountains; these mountains are also the origin of the John Day River. The main fork of the John Day leaves the mountains just east of Prairie City and then follows Highway 26 west, and later Highway 19 north, to where it leaves the county at Kimberly. This narrow river valley, 75 miles in length, forms the only significant area in the county in which irrigated agriculture is practiced.

The total land area of the county is 4,532 square miles. The population, all rural by United States Census

standards, is sparse and shows signs of becoming more so. The population density of the county was 1.7 persons per square mile (July 1, 1965) and was fourth out of the 36 Oregon counties for lowest population density. The 1960 Census listed 7,726 people in the county, while the figures for July 1, 1965, listed 7,600 (13).

The principal towns in Grant County and their population in 1960 are: John Day—1,520; Prairie City—801; Canyon City (county seat)—654; Mount Vernon—502; Long Creek—295; Dayville—234; and Monument—214. Other communities are Bates, Seneca, Fox, Ritter, Kimberly, Granite, Hamilton, and Dale. Towns with published population figures account for 55% of the county's population. The remainder of the people live in the smaller communities or on widely scattered ranches (16).

Land ownership in the county is divided among the Forest Service with 1,557,265 acres (54%), the Bureau of Land Management with 172,485 acres (6%), the State of Oregon with 4,950 acres (.002%), with the remaining 40% divided among private ownership as well as other small federal holdings. The Bureau of Land Management holdings are not in a grazing district but are classified as Section 15 lands and consist of small, widely scattered parcels that are leased to adjacent livestock operators.

Comparing Table 4 with Table 2 reveals the nature of grazing permits on the Malheur National Forest as compared to the other 11 administrative units sampled. The average number of cows owned by each permittee in each size group is extremely close (Column 4, Table 4).

The number of livestock permitted as a percent of breeding cows owned is significantly lower on the Malheur Forest than for the rest of eastern Oregon. For ex-

Table 4. Characteristics of Grant County Ranches With Grazing Permits on the Malheur National Forest, 1964¹

| Ranch size (1) | Number of breeding cows owned (2) | Number of permits (3) | Average number of cows owned per permittee (4) | Average number of animal units licensed per permit (5) | Average number of animal units licensed as a percent of cows owned (5) ÷ (4) (6) | Average number of AUM's per permit (7) | Percent of total permits in each size group (8) | AUM's of use made by each size group ² (3) × (7) (9) | Percent of total federal use made by each size group (10) |
|-------------------|-----------------------------------|-----------------------|--|--|--|--|---|---|---|
| Small | 0-199 | 47 | 94 | 44 | 47 | 181 | 36 | 8,507 | 12 |
| Medium .. | 200-399 | 37 | 276 | 97 | 35 | 416 | 29 | 15,392 | 22 |
| Large | 400-999 | 34 | 522 | 250 | 48 | 811 | 26 | 27,574 | 41 |
| Extra large | 1,000+ | 11 | 1,580 | 424 | 27 | 1,551 | 9 | 17,061 | 25 |
| TOTALS | | 129 | | | | | 100 | 68,534 | 100 |

¹ Because the majority of the Wallawa-Whitman National Forest within the boundaries of Grant County is administered by the Malheur Forest, the figures here pertain to permittees on the Malheur Forest proper and to those on that portion of the Wallawa-Whitman Forest which is administered as part of the Malheur. See footnote 3, Table 1, page 7.

² There were 165 paid permits on the Malheur Forest in 1964, of which 129 were term permits. Therefore, the computed total use of 68,534 AUM's is less than the total permitted use of 77,368 AUM's.

ample, medium-sized ranches over all of eastern Oregon were licensed for 59% of the cows owned, whereas those in Grant County had licenses for only 35%. The comparable figures for extra-large ranches are 43 and 27%, respectively. Average number of AUM's per permit is also less on the Malheur, with the two largest size groups licensed for approximately half of the AUM's used by their respective counterpart in the entire eastern Oregon region.

The allocation of grazing permits on the Malheur Forest is less oriented toward the small ranch than is the case for all of eastern Oregon. Only 36% of the permits are held by small ranches. The two middle-size groups are larger than for the entire region, and the extra-large group is 50% larger (6% versus 9% for the Malheur Forest). The proportion of grazing use made by each of the four categories is quite close to averages for the region. Less use is made by the small ranches on the Malheur Forest and more by the two middle-size groups. The extra-large group has approxi-

mately the same proportion of total use allotted to it (26% versus 25%).

The agriculture of Grant County is primarily concerned with livestock; 94% of the total value of all crops, livestock, and livestock products is derived from livestock and livestock product sales. Over 92% of the receipts from the sale of livestock and livestock products came from the sale of cattle and calves. The value of crops sold was only \$248,000 and consisted primarily of hay, wheat, barley, and oats (14).

The forested areas of the county are characterized by slightly acid, well-drained, brown soils, while the soil of the foothill-grass region is dark brown, nearly neutral, and well drained. This type of soil and vegetation makes up about one fifth of the area of the county and is concentrated along the western edge of the county and up the John Day River Valley. The majority of the forested regions are covered by ponderosa pine, with lesser amounts of larch along the crest of the Blue Mountains. Range vegetation is primarily low sage-



Cattle production is the largest source of agricultural dollars generated in Grant County. (Courtesy Grant County Chamber of Commerce.)

brush and grass, although there are considerable amounts of grass understory in the ponderosa regions.

The climate of the area is one of mild extremes with an average summer temperature of 66 degrees and an average winter temperature of 36 degrees. The average summer precipitation is 1.53 inches, and the average winter precipitation is 4.68 inches. Most of the winter precipitation comes in the form of snow (13).

The Grant County Economy

An input-output model permits the tracing of money as it moves through a given economy so that inferences can be made concerning the economic interdependence of the various activities within the economy. The interested reader is encouraged to see Chenery and Clark or Miernyk for a more complete, yet reasonably simple, exposition of the theory of input-output analysis (3, 9, 10).

The first step in constructing an input-output model for an area is the aggregation of all business activity into sectors. Usually these sectors correspond to our traditional concept of an industry; the firms all produce a somewhat homogeneous product using approximately the same inputs. There were 12 commercial business sectors and 2 agricultural sectors; one for cattle ranches dependent upon federal range (Dependent Ranches) and the other for all other agricultural activities in the county (Other Agriculture).^{*}

Systematic random sampling was utilized to draw a sample of approximately 30% of the commercial business firms (79 out of 288) which were then visited during the summer of 1965. Information was obtained on gross sales, sectoral distribution of sales within Grant County, exports, investment purchases, and other data used in the construction of the transactions table.

The agricultural producers were sent a questionnaire by mail. The Dependent Ranches sector returned 42% of their questionnaires (61 out of 143) and the Other Agriculture sector returned 18% (15 out of 82). Through knowledge of the relative sizes of sampled to unsampled firms, both in the agricultural sectors and the 12 commercial sectors, it was possible to expand the sample data to arrive at figures for the county's businesses as a whole.

The transactions table for Grant County is presented as Table 5. The same "industries," or sectors, appear along both the top and the left side. Those listed across the top made purchases from those listed along the side and similarly those along the side sold to the sectors listed across the top of the table. The figures in the cells represent money flows (in exchange for goods and services) from sectors across the top to sectors along the side. Thus sector 1, Dependent Ranches, purchased \$42,713 worth of goods and services from itself (intra-sector trade), \$41,529 worth of goods and services from

the Other Agricultural producers, nothing from the Lumber or Mining sectors, \$1,680 worth from the Lodging sector, nothing from the Cafes and Taverns sector, \$197,982 worth from the Agricultural Services sector, and so on down the first column. It should be pointed out that these dollar flows represent only intermediate goods in strict economic usage; all purchases are used as an input in the productive process of the industries listed across the top. There are no purchases by, say, ranchers for their personal use. Only business expenditures are recorded.

Not only can purchases by the respective sectors be traced down the columns, but each sector's sales can be described by reading across the row in question. Again using Dependent Ranches as an example, sales were \$42,713 of intrasector trade, \$76,373 received from the Other Agriculture sector, \$42,570 received from the Lumber sector, and so on across Row 1 in Table 5. The first 14 rows and the first 14 columns in the table represent the processing sector of the larger table and are similar to a double-entry type of bookkeeping system wherein every sale and purchase is accounted for.

Row 15, Households, represents the amount of money paid to individuals by firms in sectors listed across the top of the table in exchange for labor and entrepreneurial services. Row 16, labeled Government, represents the amount of money received by both local (county or city governments) and state and federal agencies in the form of taxes, fees, licenses, and so forth from the respective businesses across the top of the table. The Imports row, 17, is the amount of "leakage" from the economy in the form of imported products and services by the sectors named across the top of the table. The magnitude of these imports indicates the degree to which the Grant County economy is not self sufficient. Row 18, Depreciation and Negative Inventory Change, shows the magnitude of the amount allocated for the year by the respective businesses for capital consumption (depreciation) and the extent of net depletion of previously accumulated raw materials, intermediate goods, and finished products. Row 19, Total Input, represents the sum of all of the entries in each column. It will be noticed that this figure for a given sector is identical with the corresponding sector's total output entry in Column 19. The Imports figure is the only entry, except for total output of the Mining sector and its wage payments, that was not obtained directly through interviews. In the long run, total income must equal total expenditures; therefore, the sum of all entries in each column was subtracted from the respective sector's output in order to derive Imports as a residual.

Referring now to Column 15, Households, the entries in this column pertain to purchases made by households from the respective businesses listed across the left side of the table. Column 16, Government, reflects the value of goods and services purchased by local, state, and federal government agencies from the respective sectors along the left side of the table. Column 17, Ex-

* See Appendix Table 1 for a list of types of businesses in each sector.

Table 5. Transactions Table Showing Interindustry Flows in Dollars, Grant County, Oregon, 1964

| | PURCHASES | | | | | | | | | |
|---|-----------------------------|-----------------------------|---------------|---------------|----------------|-----------------------------|---------------------------------|-------------------|---|---------------------------|
| | Dependent Ranches (1) | Other Agriculture (2) | Lumber (3) | Mining (4) | Lodging (5) | Cafes and Taverns (6) | Agricultural Services (7) | Automotive (8) | Communi- cation and Transporta- tion (9) | Profes- sional (10) |
| (1) Dependent Ranches | \$ 42,713 | \$ 76,373 | \$ 42,570 | \$ 0 | \$ 572 | \$ 0 | \$ 1,716 | \$ 0 | \$ 0 | \$ 0 |
| (2) Other Agriculture | 41,529 | 17,278 | 1,722 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (3) Lumber | 0 | 0 | 1,154,776 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Mining | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Lodging | 1,680 | 1,200 | 4,488 | 0 | 0 | 0 | 0 | 0 | 1,200 | 0 |
| (6) Cafes and Taverns | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) Agricultural Services | 197,982 | 37,926 | 45,000 | 30,000 | 15,000 | 0 | 0 | 0 | 0 | 0 |
| (8) Automotive | 991,910 | 201,120 | 1,088,086 | 10,089 | 85,280 | 22,570 | 8,554 | 1,113,889 | 104,497 | 0 |
| (9) Communication and Transportation | 1,735 | 517 | 43,750 | 692 | 4,044 | 3,586 | 3,076 | 99,497 | 21,855 | 12,415 |
| (10) Professional | 73,321 | 41,243 | 11,670 | 0 | 2,670 | 2,370 | 0 | 7,700 | 2,970 | 450 |
| (11) Financial | 113,816 | 30,256 | 72,036 | 0 | 1,566 | 1,566 | 0 | 0 | 9,396 | 0 |
| (12) Construction | 33,829 | 5,839 | 3,440 | 1,720 | 0 | 5,760 | 0 | 0 | 200 | 0 |
| (13) Products | 181,571 | 63,926 | 749,265 | 5,876 | 47,326 | 347,846 | 5,302 | 65,929 | 49,429 | 17,428 |
| (14) Services | 112,453 | 49,617 | 87,521 | 0 | 33,015 | 37,746 | 114 | 16,746 | 900 | 4,272 |
| Summation | \$1,792,539 | 525,295 | 3,304,324 | 48,377 | 189,473 | 421,444 | 18,762 | 1,303,761 | 190,447 | 34,565 |
| (15) Households | 363,792 | 190,650 | 4,180,952 | 70,907 | 72,700 | 233,161 | 36,000 | 800,805 | 457,309 | 544,832 |
| (16) Government | 463,636 | 126,216 | 167,374 | 30,262 | 6,682 | 6,682 | 3,600 | 37,906 | 102,289 | 8,835 |
| (17) Imports | 380,556 | 35,537 | 5,798,908 | 11,741 | 87,716 | 87,716 | 316,638 | 5,819,541 | 229,091 | 438,514 |
| (18) Depreciation and Neg. Inv. Changes | 720,720 | 188,600 | 435,112 | | 111,424 | 14,497 | 9,000 | 65,264 | 109,317 | 83,372 |
| (19) Total inputs | \$3,721,243 | \$1,066,298 | \$13,886,670 | \$ 358,000 | \$ 415,600 | \$ 763,500 | \$ 384,000 | \$8,027,277 | \$1,088,453 | \$1,110,118 |

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Table 5. Transactions Table Showing Interindustry Flows in Dollars, Grant County, Oregon, 1964 (Continued)

| | PURCHASES | | | | | | | | |
|---|-------------------|---------------------------|------------------|------------------|-------------------------|--------------------|-----------------|---|-------------------------|
| | Financial (11) | Construc- tion (12) | Products (13) | Services (14) | House- holds (15) | Government (16) | Exports (17) | Capital Formation and Positive Inventory Change (18) | Total Output (19) |
| (1) Dependent Ranches | \$ 572 | \$ 715 | \$ 11,583 | \$ 572 | \$ 1,430 | \$ 54,641 | \$3,084,097 | \$ 403,689 | \$3,721,243 |
| (2) Other Agriculture | 0 | 0 | 574 | 5,740 | 492 | 48,034 | 836,869 | 114,060 | 1,066,298 |
| (3) Lumber | 0 | 0 | 0 | 0 | 43,200 | 3,000 | 12,567,000 | 118,694 | 13,886,670 |
| (4) Mining | 0 | 0 | 0 | 0 | 0 | 0 | 358,000 | 0 | 358,000 |
| (5) Lodging | 0 | 4,350 | 0 | 0 | 27,960 | 66,600 | 306,050 | 2,000 | 415,600 |
| (6) Cafes and Taverns | 0 | 0 | 0 | 0 | 457,600 | 0 | 305,900 | 0 | 763,500 |
| (7) Agricultural Services | 0 | 0 | 0 | 0 | 15,000 | 0 | 0 | 43,092 | 384,000 |
| (8) Automotive | 78 | 72,793 | 32,914 | 29,329 | 2,603,201 | 552,632 | 902,578 | 207,757 | 8,027,277 |
| (9) Communication and Transporta- tion | 4,723 | 9,605 | 108,931 | 14,865 | 201,631 | 33,146 | 513,889 | -10,496 | 1,088,453 |
| (10) Professional | 900 | 2,400 | 24,026 | 8,550 | 746,882 | 119,870 | 62,596 | 2,500 | 1,110,118 |
| (11) Financial | 0 | 12,528 | 15,439 | 6,264 | 53,244 | 126,720 | 0 | 480,000 | 922,831 |
| (12) Construction | 0 | 8,600 | 3,440 | 0 | 139,627 | 376,155 | 25,783 | 175,742 | 780,135 |
| (13) Products | 3,909 | 83,861 | 633,955 | 43,033 | 7,260,812 | 283,039 | 1,787,672 | 182,306 | 11,812,485 |
| (14) Services | 385 | 1,335 | 36,888 | 0 | 557,693 | 8,689 | 50,861 | 4,584 | 1,002,819 |
| Summation | 10,567 | 196,187 | 867,750 | 108,353 | 12,108,772 | 1,672,526 | 20,801,295 | 1,744,920 | |
| (15) Households | 134,040 | 130,227 | 1,097,451 | 403,399 | | 1,622,440 | | | |
| (16) Government | 27,965 | 3,624 | 371,218 | 36,627 | | | | | |
| (17) Imports | 749,019 | 429,877 | 9,138,001 | 355,059 | | | | | |
| (18) Depreciation and Neg. Inv. Changes | 3,240 | 20,220 | 338,065 | 99,381 | | | | | |
| (19) Total inputs | \$ 922,831 | \$ 780,135 | \$11,812,485 | \$1,002,819 | | | | | \$45,339,429 |

SALES

ports, shows the magnitude of "basic income" generated by each of the industries listed along the left side of the table. The column labeled Capital Formation and Positive Inventory Change represents first the amount of investment expenditures that were spent in purchasing capital items from the sectors along the left side of the table and, secondly, the extent of accumulation of raw materials, intermediate goods, and finished products by the sectors along the left side of the table. Column 19, Total Output, shows the gross output of each of the sectors along the left side.

These two portions of the table form the second and third major parts of the transactions table. Rows 15 through 18 represent the "payments," "value added," or primary inputs portion and reflect the purchase of inputs not produced by firms within the processing part of the model. In a static model such as the one utilized in Grant County, the use of existing capital stock represents a primary input, just as does the use of land and labor. Thus, the total payment to primary factors by each sector corresponds approximately to the value added in production.

Columns 15 through 18 represent the "final demand," or final use of goods and services, categorized by major type of usage. The sum of the items in this portion is approximately equal to "Gross County Product." In a national model, this sum would correspond to Gross National Product (GNP).

TRADE COEFFICIENTS

While the dollar flows depict the purchasing and selling patterns of the economy's sectors, a more illustrative picture of interdependence is presented in Table 6. This is the table of trade coefficients which were computed as follows: To get the trade coefficients for Column 1, divide each dollar entry (cell) in the column by the total output of Sector 1. For Column 2, divide each cell entry by the total dollar figure for the Other Agriculture sector. For example, the trade coefficient for cell 1,1 (first row, first column) would be \$42,713 divided by \$3,721,243 or .011478. For cell 2,1 (second row, first column) it would be \$41,529 divided by \$3,721,243 or .011160. For cell 1,2 (first row, second column) it would be \$76,373 divided by \$1,066,298 or .71624.

The coefficients in, say, Column 1 represent that portion of total output of the Dependent Ranches sector which was spent in the purchase of business inputs from the sectors listed along the left side of the table. These coefficients represent the degree of dependence of a sector upon all other sectors of the economy. To determine the input mix of an industry, merely read down its respective column. Using Dependent Ranches as an example, it is seen that for every dollar of output of the sector, its member firms purchased \$0.01 (.011478) worth of inputs from the other ranches in the same sector; \$0.01 (.011160) worth of inputs from the Other Agriculture sector; \$0.0005 (.000451) from the Lodging

sector; \$0.05 (0.053203) worth of inputs from the Agricultural Services sector; \$0.27 (0.266553) worth of inputs from the Automotive sector, and so on down Column 1. This process can be repeated for any of the sectors listed across the top of the table. The sum of the first 14 rows in Table 6 is referred to as the "intermediate goods coefficient" for that sector. The Lumber sector's intermediate goods coefficient is .237951 which indicates that for every dollar of gross receipts of that sector, \$0.24 was spent in Grant County for goods and services used in production.

ECONOMIC INTERDEPENDENCE

With the mechanics of reading the tables out of the way, it is now possible to discuss some of the characteristics of the Grant County economy as revealed by the transactions table (Table 5) and the trade coefficients table (Table 6).

Referring first to Table 5, it is seen that the majority of the cells in the first seven columns are either empty or contain relatively small entries. This occurs because the first six sectors are largely exporters, and the seventh is a large importer that in turn sells to very few of the other sectors in the economy. The two agricultural sectors export the majority of their output (cattle) to the feedlots of other counties or states (except for some intraindustry trade and a few minor sales). The Dependent Ranches sector exported 83% of its output, while the Other Agriculture sector exported 78% of its output. With this estimate of the magnitude of new money brought into the local economy, it is of interest to see how much of it was spent in intermediate production as compared to the other large exporting sector, Lumber. The Dependent Ranches sector spent just less than half (\$0.48) of every dollar earned for the purchase of intermediate goods (for production purposes) from Grant County's businesses (sum of Rows 1-14, Table 6). The Other Agriculture sector, although accounting for only 22% of the total agricultural output of the county, spent almost half of every income dollar (\$0.49) in the acquisition of intermediate goods and services. Thus the two agricultural sectors taken together purchased \$0.48 worth of goods and services from Grant County businesses for every \$1.00 of output they sold. The total amount spent in the county by the two sectors was \$2,317,834. Of this amount, the Dependent Ranches sector spent \$1,792,539, or over 77%. The Other Agriculture sector spent \$525,295 for the remaining 23%.

The Lumber sector is the largest exporter, both in absolute quantity and in percent of its output (90%). At the same time, it spent much less in the local communities per dollar of output (\$0.24) than did either of the agricultural sectors. While its gross output was \$13,886,670, because of its low intermediate goods coefficient, it spent only \$3,304,324 on the acquisition of intermediate goods and services from the county's businesses.

The Dependent Ranches sector with a gross output of \$3,721,243 and the Lumber sector with a gross out-

Table 6. Trade Coefficients, Grant County, Oregon, 1964

| | PURCHASES | | | | | | |
|---|-----------------------------|-----------------------------|---------------|---------------|----------------|-----------------------------|---------------------------------|
| | Dependent Ranches (1) | Other Agriculture (2) | Lumber (3) | Mining (4) | Lodging (5) | Cafes and Taverns (6) | Agricultural Services (7) |
| (1) Dependent Ranches | .011478 | .071624 | .003065 | 0 | .001376 | 0 | .004469 |
| (2) Other Agriculture | .011160 | .016204 | .000124 | 0 | 0 | 0 | 0 |
| (3) Lumber | 0 | 0 | .083157 | 0 | 0 | 0 | 0 |
| (4) Mining | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Lodging | .000451 | .001125 | .000323 | .000201 | 0 | 0 | 0 |
| (6) Cafes and Taverns | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) Agricultural Services | .053203 | .035568 | .003241 | .083799 | .036092 | 0 | 0 |
| (8) Automotive | .266553 | .188616 | .078355 | .028182 | .205197 | .029561 | .022776 |
| (9) Communication and Transportation | .000466 | .000485 | .003151 | .001933 | .009731 | .004697 | .008010 |
| (10) Professional | .019703 | .038679 | .000840 | 0 | .006424 | .003104 | 0 |
| (11) Financial | .030585 | .028375 | .005187 | 0 | .003768 | .002051 | 0 |
| (12) Construction | .009091 | .005476 | .000248 | .004804 | 0 | .007544 | 0 |
| (13) Products | .048793 | .059951 | .053956 | .016413 | .113874 | .455594 | .013807 |
| (14) Services | .030219 | .046532 | .006303 | 0 | .079439 | .049438 | .000297 |
| Sum of 1-14 | .481702 | .492635 | .237941 | .134332 | .455901 | .551989 | .048859 |
| (15) Households | .097761 | .178796 | .301076 | .198064 | .174927 | .305384 | .093750 |
| (16) Payments to Government | .124592 | .118368 | .012053 | | .072815 | .008752 | .009375 |
| (17) Imports | .102266 | .033327 | .417587 | | .028251 | .114887 | .824578 |
| (18) Depreciation and Neg. Inven. Changes | .193679 | .176874 | .031333 | | .268106 | .018988 | .023438 |

| | PURCHASES | | | | | | |
|---|-------------------|--|----------------------|-------------------|----------------------|------------------|------------------|
| | Automotive (8) | Communica- tion and Transporta- tion (9) | Professional (10) | Financial (11) | Construction (12) | Products (13) | Services (14) |
| (1) Dependent Ranches | 0 | 0 | 0 | .000620 | .000917 | .000981 | .000570 |
| (2) Other Agriculture | 0 | 0 | 0 | 0 | 0 | .000049 | .005724 |
| (3) Lumber | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Mining | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Lodging | 0 | .001102 | 0 | 0 | .005576 | 0 | 0 |
| (6) Cafes and Taverns | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) Agricultural Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (8) Automotive | .138763 | .096005 | 0 | .000085 | .093308 | .002786 | .029247 |
| (9) Communication and Transportation | .012395 | .020079 | .011183 | .005118 | .012312 | .009222 | .014823 |
| (10) Professional | .000959 | .002729 | .000405 | .000975 | .003076 | .002034 | .008526 |
| (11) Financial | 0 | .008632 | 0 | 0 | .016059 | .001307 | .006246 |
| (12) Construction | 0 | .000184 | 0 | 0 | .011024 | .000291 | 0 |
| (13) Products | .008213 | .045412 | .015699 | .004236 | .107495 | .053668 | .042912 |
| (14) Services | .002086 | .000827 | .003848 | .000417 | .001711 | .003123 | 0 |
| Sum of 1-14 | .162416 | .174970 | .031135 | .011451 | .251478 | .073461 | .108048 |
| (15) Households | .099760 | .420147 | .490788 | .145249 | .166929 | .092906 | .402265 |
| (16) Payments to Government | .004722 | .093976 | .007959 | .030303 | .004645 | .031426 | .036524 |
| (17) Imports | .724972 | .210474 | .395016 | .809486 | .551029 | .773588 | .354061 |
| (18) Depreciation and Neg. Inven. Changes | .008130 | .100433 | .075102 | .003511 | .025919 | .028619 | .099102 |

put of \$13,886,670 accounted for almost 40% of the total output of all the county's commercial and agricultural firms (\$45,339,429). Exports of these two sectors accounted for 75% of the basic income brought into Grant County in 1964 (\$16 million out of \$21 million). Of the total amount spent by all commercial and agricultural firms in the county for purchases of intermediate goods and services, the Dependent Ranches sector and the Lumber sector accounted for 57%. Total payments to Grant County households by commercial and agricultural businesses and government agencies in return for labor and management services in 1964 amounted to \$10,338,665. Of this amount, the Lumber sector accounted for 40%, or \$4,180,952. The Dependent Ranches sector contributed another 4% (\$363,792). Thus it is seen that these two activities, which are highly dependent upon the use of federal land, account for the majority of economic activity in Grant County.

A sector which is outside the processing portion of this model, but one that deserves some discussion, is the Household sector. Again, the coefficients in this row (Table 6) reflect the purchase of labor and entrepreneurial inputs per dollar of gross income received by the respective sectors across the top of the table. For the most part, these coefficients indicate the degree of labor intensity of the various sectors.

Several interesting aspects of these coefficients should be noted. First, there is a considerable difference in wage and salary payments between the two agricultural sectors. The Dependent Ranches sector pays a labor bill of less than \$0.10 per dollar of gross sales, as compared to almost \$0.18 per dollar for the Other Agriculture sector. In view of the extensive nature of the former sector, this difference might be expected.

The Lumber sector paid a little over \$0.30 of every dollar of gross income to Grant County residents for labor and management services. The Mining sector paid \$0.20 of every dollar; the Communications and Transportation sector and the Professional Services sector paid \$0.42 and \$0.49, respectively, per dollar of gross income. The other large coefficient belongs to the Services sector which paid \$0.40 for labor per dollar of sales. The significance of these particular coefficients is manifest when it is realized that for every dollar change in gross income of one of the sectors, household incomes in that sector change by at least the amount of the coefficient for that sector.

Because the headquarters of the mining firms operating in Grant County are not located within the county, and because of the remote location of the mining activity, this sector has a low intermediate goods coefficient of .134332. Most of the mining operations depend on sources outside of Grant County for a large share of their supplies, and thus their expenditures within the county are relatively small.

The Lodging sector is a large "exporter," in that the main part of its business (74%) comes from non-residents of Grant County. This basic income is then

utilized to purchase intermediate goods from local businesses at the rate of \$0.46 per dollar of income by the Lodging sector. The Cafes and Taverns sector is also an exporter of goods and services in a manner similar to the Lodging sector. Forty percent of the income of the Cafes and Taverns sector came from outside Grant County. For every dollar of income received by this sector, \$0.55 was spent within the county for purchases of intermediate goods and services. While no attempt was made to specify the importance of the recreation "industry" to the county, the Lodging and Cafes and Taverns sectors account for much of the business which comes from tourists, hunters, and other noncounty residents.

The Agricultural Services sector is, as would be expected, a large importer of goods that are in turn resold to the agricultural sectors. The purchases of this sector from others within the county and the distribution of its sales to them are minimal, since it deals in unique merchandise which cannot be acquired within the county and for which the demand is concentrated in the agricultural sectors.

The remaining seven sectors all participate in inter-sector trade to a greater degree than do the first seven. None is a particularly large exporter; the Communications and Transportation sector is the only one that receives anywhere near one half of its income from outside the county. Both the Automotive and the Products sectors are large importers, as might be expected.

The foregoing represents a quantitative description of the economy of Grant County. It can be seen from the transactions table that the county's economic role is largely that of an exporter of raw materials. There is a conspicuous lack of any value-adding activity (manufacturing) in the county. The two largest industries—livestock and lumber—export 83% and 90%, respectively, of their gross output; they are also the two activities most dependent upon public lands. However, an economy must not only have industries which export, it must also have extensive trade between these industries and other firms in the economy in order to reap the full benefit of the exporting activities.

Before proceeding to investigate the impact of changes in federal land use, brief mention will be made of the possibilities for guidance in general regional development which are available from input-output models.

The first step is the derivation of a table of direct and indirect requirements per dollar change in the output of any given sector. The indirect effect is the result of the interdependence of the economy's businesses, going beyond the interdependencies portrayed so far. When the output (gross sales) of any sector is reduced (or increased), it in turn buys fewer (more) inputs from its suppliers. When the output of these suppliers is reduced (increased), they in turn buy fewer (more) inputs from their respective suppliers. This process repeats itself through as many rounds as required to reach

Table 7. Direct and Indirect Trade Coefficients, Grant County, Oregon, 1964

| | PURCHASES | | | | | | |
|--|-----------------------------|-----------------------------|---------------|---------------|----------------|-----------------------------|---------------------------------|
| | Dependent Ranches (1) | Other Agriculture (2) | Lumber (3) | Mining (4) | Lodging (5) | Cafes and Taverns (6) | Agricultural Services (7) |
| (1) Dependent Ranches | 1.012810 | .074045 | .003488 | .000404 | .001768 | .000545 | .004542 |
| (2) Other Agriculture | .011679 | 1.017609 | .000224 | .000007 | .000495 | .000328 | .000056 |
| (3) Lumber | 0 | 0 | 1.090699 | 0 | 0 | 0 | 0 |
| (4) Mining | 0 | 0 | 0 | 1.000000 | 0 | 0 | 0 |
| (5) Lodging | .000530 | .001220 | .000362 | .000232 | 1.000019 | .000056 | .000012 |
| (6) Cafes and Taverns | 0 | 0 | 0 | 0 | 0 | 1.000000 | 0 |
| (7) Agricultural Services | .054319 | .040178 | .003742 | .083829 | .036204 | .000043 | 1.000244 |
| (8) Automotive | .320594 | .250459 | .101663 | .036046 | .244775 | .03934 | .028336 |
| (9) Communication and Transportation | .006569 | .006244 | .005595 | .003368 | .015856 | .010811 | .008695 |
| (10) Professional | .021201 | .041736 | .001310 | .000110 | .007710 | .004648 | .000179 |
| (11) Financial | .031797 | .031714 | .005956 | .000148 | .004644 | .003249 | .000240 |
| (12) Construction | .009394 | .006339 | .000327 | .004868 | .000060 | .007780 | .000048 |
| (13) Products | .059935 | .075341 | .064053 | .019655 | .127675 | .485646 | .015530 |
| (14) Services | .032180 | .050645 | .007445 | .000204 | .080482 | .051116 | .000554 |
| TOTALS | 1.561008 | 1.595530 | 1.284864 | 1.148871 | 1.519688 | 1.604156 | 1.058436 |

| | PURCHASES | | | | | | |
|--|-------------------|--|----------------------|-------------------|----------------------|------------------|------------------|
| | Automotive (8) | Communica- tion and Transporta- (9) | Professional (10) | Financial (11) | Construction (12) | Products (13) | Services (14) |
| (1) Dependent Ranches | .000014 | .000059 | .000021 | .000633 | .001078 | .001059 | .001052 |
| (2) Other Agriculture | .000015 | .000011 | .000024 | .000010 | .000035 | .000084 | .005836 |
| (3) Lumber | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Mining | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Lodging | .000016 | .001128 | .000013 | .000006 | .005656 | .000014 | .000025 |
| (6) Cafes and Taverns | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) Agricultural Services | .000002 | .000044 | .000002 | .000034 | .000263 | .000060 | .000264 |
| (8) Automotive | 1.162909 | .114507 | .001505 | .000922 | .113454 | .005048 | .037560 |
| (9) Communication and Transportation | .014865 | 1.022529 | .011661 | .005300 | .015476 | .010106 | .016197 |
| (10) Professional | .001201 | .003034 | 1.000509 | .001017 | .003602 | .002240 | .008964 |
| (11) Financial | .000159 | .000910 | .000149 | 1.000075 | .016599 | .001530 | .006650 |
| (12) Construction | .000006 | .000206 | .000008 | .000008 | 1.011194 | .000323 | .000059 |
| (13) Products | .010943 | .050377 | .017354 | .004812 | .117596 | 1.057536 | .047091 |
| (14) Services | .002479 | .001349 | .003920 | .000462 | .002851 | .003368 | 1.000582 |
| TOTALS | 1.192609 | 1.202154 | 1.035166 | 1.013279 | 1.287804 | 1.081368 | 1.124280 |

a new equilibrium position. The results of these interactions are incorporated in a new table of coefficients to show the direct effects of a change in output plus additional indirect effects.⁹ These coefficients are presented in Table 7.¹⁰

Table 7 is read in the same manner as the previous table of coefficients (Table 6). For a \$1.00 change in final demand of a sector listed across the top, the sectors listed along the left side of the table will have their output changed by the amount of the coefficient. In other words, a \$1.00 change in the output of the Dependent Ranches sector will cause a \$0.01 change in both of the agricultural sectors, no change in either the Lumber or Mining sector, a very small change in the Lodging sector, no change in the Cafes and Taverns sector, a \$0.05 change in the Agricultural Services sector, and so on down Column 1. The sum of each column shows the total change in business output in the county for a \$1.00 change in the output of the respective sector. This latter coefficient is herein referred to as the "business income multiplier."

The change in gross sales of the various sectors is not the only impact to consider. When the output of a sector declines (or increases), there will be a reduction (increase) in the quantity of labor and management services demanded by that sector. The magnitude of this impact is depicted by the household income multipliers presented in Table 8.¹¹

Table 8. Household Income Multipliers for the Fourteen Sectors of the Grant County Model, 1964

| Household income multiplier | Household income multiplier |
|--------------------------------|-------------------------------|
| Dependent Ranches .. 1.801680 | Communication and |
| Other Agriculture .. 1.534112 | Transportation 1.069352 |
| Lumber 1.169734 | Professional 1.017360 |
| Mining 1.079510 | Financial 1.024310 |
| Lodging 1.477028 | Construction 1.222046 |
| Cafes and Taverns .. 1.256677 | Products 1.139410 |
| Agricultural Services 1.093387 | Services 1.053974 |
| Automotive 1.251925 | |

The household income multiplier shows how much the total household incomes in Grant County would change for a \$1.00 change in household income of any one of the 14 sectors. For example, a \$1.00 change in household incomes of the Dependent Ranches sector would cause a change in total county household income of \$1.80 (an additional \$0.80 in the other 13 sectors).

⁹ The actual changes occur in final demand but, for convenience, are treated here as changes in output.

¹⁰ The equations used in compiling Table 7 are presented in the Appendix.

¹¹ See the Appendix for details of their derivation.

By utilizing the information contained in Tables 7 and 8, it is possible to select those sectors which, if their output were increased, would have the greatest effect upon the general health of the local economy. Referring to Table 7, the row of business income multipliers will be discussed first. Reading across the bottom row of Table 7 indicates that for a \$1.00 change in the output of the Dependent Ranches sector, an additional \$0.56 worth of business income would be generated in the county. For Other Agriculture, the generated business would be \$0.60 for a \$1.00 increase in its output; for Lumber, \$0.28; for Mining, \$0.15; and so on across the row.

Two sectors which cater to outside visitors (for example, tourists) are the Lodging, and the Cafes and Taverns sectors. The coefficients for these two sectors are \$1.52 and \$1.60, respectively. The two rank in the top four (along with the two agricultural sectors) of the 14 sectors. An increase in tourists in Grant County would have a fairly significant impact upon business income.

When the information from Table 7 is coupled with that in Table 8, a more complete picture of the sensitive sectors is revealed. The latter table shows the household income multipliers and indicates the extent to which total county household income would be increased for a \$1.00 increase (or decrease) in the household incomes of any of the 14 sectors. Again, the same four sectors come out on top. Dependent Ranches is first with \$1.80, followed by Other Agriculture with a multiplier of \$1.53. The Lodging sector is third at \$1.48, with the Cafes and Taverns sector fourth at \$1.26.

Increases or decreases in the output of any, or all four, of these sectors would have a greater impact on business income, as well as household income, than would similar changes in any of the other sectors in the county.

It should be pointed out that the household income multiplier, as computed here, is a low estimate of the changes in household incomes; because the model utilized contained households as exogenous (outside the processing portion of the matrix), the magnitude of the multiplier is less than it would be if households were endogenous to the model. By "closing" the model with respect to households, we permit business-induced changes in household expenditures to enter into the interdependence between the sectors. This is the more realistic (and empirically difficult) way to handle the household sector; it permits the "consumption function" phenomenon to be operative. Increased business income in one or more sectors means more business for all other county firms. When this happens, increased wage payments result in higher incomes to employees, which further increase the volume of sales among county businesses. If the more realistic model had been employed in Grant County, the household income multipliers would be larger than those obtained with this model.

Impact Upon the Local Economy From Changes in Federal Land Use

The two primary commercial uses of federal land—livestock grazing and timber production—are susceptible to policy changes which could influence considerably their gross output. To explore the effects of such changes on business and household incomes in Grant County, two hypothetical changes in federal land use will be outlined.

A reduction, rather than an increase, in the quantity of federal grazing was utilized because information was available on the probable impact on gross ranch income from a 20% reduction. An increase in timber harvest was used because it was felt that an increase in federal allowable cut in the county was more likely than a reduction. In actuality, the two contingencies are not independent of each other. Recent research at Oregon State University indicates that improved timber management practices in northeastern Oregon, such as thinning as well as logging practices in general, reduce competition and enhance the growth of understory vegetation. Therefore, an increase in timber harvest might also make it possible to increase the amount of grazing in the county (7).

Reduction in Federal Grazing

A reduction in grazing would not necessarily have the same effect on all of the dependent ranches in Grant County; some would continue their operation unchanged, while others might be required to change considerably. Any discussion concerning these impacts upon ranch operation must necessarily proceed with many assumptions about current ranching operations and the strategies which would be followed by ranchers in the face of a lesser quantity of available federal grazing.

Since the concern here is with the aggregate effects, the emphasis of the impact on individual ranch firms is

minimized. A recent study sponsored by the Forest Service and the Bureau of Land Management is utilized to arrive at gross ranch income changes from a 20% reduction in the quantity of permitted federal grazing (2, 15). The 20% reduction is an arbitrary figure which was used in the Caton study and will be utilized here to illustrate the technique of projecting with input-output models as well as to give an indication of the impact upon the local economy from such a reduction.

There are four types of possible reductions: 1) a reduction in permitted numbers; 2) a reduction in length of grazing season; 3) a reduction in both; or 4) complete elimination of federal grazing in an area. Each of these different types of reductions would produce quite dissimilar effects on an individual ranch operation. Although every ranch would not be reduced by 20% of its federal AUM's, the overall effect would amount to this figure; some ranches would be reduced more than this, some less, and some not at all.

REDUCTION IN GROSS RANCH INCOME

The work by Caton provides the information from which the prediction of economic impact is computed. Caton found the percentage reduction in gross ranch income resulting from a 20% reduction in AUM's of federal grazing for each of five ranch-size categories. Table 9 illustrates how the reduction in gross ranch income of the Dependent Ranches sector was computed. Total ranch sales (gross income) for the Dependent Ranches sector in 1964 was \$3,721,243. Projected gross sales of the sector are \$3,321,665 for a direct reduction of \$399,578, or 11%.

BUSINESS INCOME EFFECT

With the information contained in Tables 7 and 9, it is possible to simulate possible effects from a change in the output of any, or all, of the 14 sectors.

Table 9. Calculation of Reduction in Gross Ranch Income of the Dependent Ranches Sector Resulting from a 20% Reduction in Allowable Federal Range Use

| Size in no. of cows owned (1) | Previous gross income (average) (2) | Percent reduction in gross income ¹ (3) | Projected gross income (average) (4) | No. of ranches each size (5) | Total income of each size group (4 × 5) (6) |
|---|---|--|--|--|--|
| <150 | \$ 8,777 | 9 | \$ 7,987 | 53 | \$ 423,311 |
| 150-250 | 17,074 | 10 | 15,367 | 34 | 522,478 |
| 251-400 | 27,984 | 11 | 24,906 | 24 | 622,650 |
| 401-650 | 39,900 | 10 | 35,910 | 18 | 646,380 |
| >650 | 96,752 | 12 | 85,142 | 13 | 1,106,846 |
| TOTALS | | | | 143 | \$3,321,665 |

¹ From Caton: Percent gross income reduction figures are for each of the five size categories as a result of a 20% reduction in federal grazing use.

As shown previously, the total output of the Dependent Ranches sector would decrease by \$399,578 if a 20% reduction in federal grazing were imposed. With this lower output, the model was rerun and the indicated reductions in sector output are detailed in Table 10. The first two columns of Table 10 are taken from Table 5, and they represent the final demand columns (15-18) and the total output column, respectively. The third column in Table 10 is the projected level of final demand for the 14 sectors. It will be noticed that only one entry in Column 3 differs from Column 1, that of the Dependent Ranches sector. The projected final demand is \$399,578 less than the original final demand, the precise amount of the projected decrease in output of that sector.

When the new system is solved, as illustrated in the Appendix, a new column of sector outputs is derived. This is the fourth column in Table 10. Column 5 presents the reduction for each of the 14 sectors and the total projected reduction in output.

It will be noticed that the Dependent Ranches sector has had its output reduced by \$404,691. This is \$5,113 greater than the initial reduction of \$399,578 and represents the indirect effects previously mentioned.

The reduction in federal grazing had different secondary effects upon the various sectors of the economy. Although the Automotive sector suffered the largest absolute loss, the Agricultural Services sector was reduced over 5.5%. The Automotive sector was the second most affected industry with a loss of 1.6%.

HOUSEHOLD INCOME EFFECT

To project the impact on household income from a 20% reduction in federal grazing, several steps are required.

First, the decline in household income of the Dependent Ranches sector must be computed. This is done by multiplying the household coefficient (Table 6, Row 15) of the Dependent Ranches sector times the change in output of that sector. Thus,

$$(\$0.97761) \times (\$404,691) = \$39,563$$

is the amount that household income in the Dependent Ranches sector would fall as a result of the reduction.

Then to project the impact on total county household income from this change in the Dependent Ranches income, the household income multiplier (Table 8) for the sector is multiplied by this change. This gives:

$$(\$39,563) \times (1.801680), \text{ which yields } \$71,280.$$

Thus the loss to total county household income from a 20% reduction in federal grazing would be \$71,280. More than half of this loss (\$39,563 plus) would occur in the Dependent Ranches sector, while the remainder would come from the other 13 sectors. The reason the household income loss in the Dependent Ranches sector would be greater than the \$39,563 is the same as before; this amount represents the direct loss only. With households having a lower income, aggregate demand in the county would decline. When this happens, gross sales of the business firms are decreased. They, in turn, buy fewer labor services from households. The gross sales of the Dependent Ranches sector declines along with the other sectors, and its households receive less income.

In addition to the loss of retail trade and household income, there are other changes which might occur. With lower household incomes, it is possible that some of the reduction might be reflected in unemployment increases in several of the sectors most adversely affected. Investment expenditures might be curtailed,

Table 10. Results of a 20% Reduction in Federal Grazing, Grant County, Oregon

| | Final demand (1964) | Total output (1964) | Projected final demand | Projected total output | Reduction in total output | Percent reduction ¹ |
|---|---------------------------|---------------------------|------------------------------|------------------------------|---------------------------------|-----------------------------------|
| | \$ Y _i | \$ X _i | \$ Y _i | \$ X _i | \$ | (6) |
| | (1) | (2) | (3) | (4) | (5) | |
| Dependent Ranches | 3,543,857 | 3,721,243 | 3,144,279 | 3,316,552 | 404,691 | 10.88 |
| Other Agriculture | 999,455 | 1,066,298 | 999,455 | 1,061,631 | 4,667 | 0.44 |
| Lumber | 12,731,894 | 13,886,670 | 12,731,894 | 13,886,670 | — | 0 |
| Mining | 358,000 | 358,000 | 358,000 | 358,000 | — | 0 |
| Lodging | 402,610 | 415,600 | 402,610 | 415,388 | 212 | 0.05 |
| Cafes and Taverns | 763,500 | 763,500 | 763,500 | 763,500 | — | 0 |
| Agricultural Services | 58,092 | 384,000 | 58,092 | 362,295 | 21,705 | 5.65 |
| Automotive | 4,266,168 | 8,027,277 | 4,266,168 | 7,899,175 | 128,102 | 1.60 |
| Communication and Trans- portation | 759,162 | 1,088,453 | 759,162 | 1,085,828 | 2,625 | 0.24 |
| Professional | 931,848 | 1,110,118 | 931,848 | 1,101,647 | 8,471 | 0.76 |
| Financial | 659,964 | 922,831 | 659,964 | 910,126 | 12,705 | 1.38 |
| Construction | 717,307 | 780,135 | 717,307 | 776,381 | 3,754 | 0.48 |
| Products | 9,513,829 | 11,812,485 | 9,513,829 | 11,788,536 | 23,949 | 0.20 |
| Services | 621,827 | 1,002,819 | 621,827 | 989,961 | 12,858 | 1.28 |
| TOTALS | | 45,339,429 | | 44,715,690 | 623,739 | 1.37 |

¹ Each figure is the percent change for that respective sector. The sum of this column is meaningless unless weighted. The percentage change in total business is found by $623,739/45,339,429 \times 100 = 1.37\%$.

which could further decrease future output of some of the sectors. The present decline in county population might possibly be accentuated if there were fewer jobs available. On the other hand, if recreation became an important county "product," the enumerated losses could possibly be compensated for. Other sectors would experience an increase in output (probably the Lodging, Cafes and Taverns, and Automotive sectors). Although somewhat rearranged, net changes in employment, investment, retail sales, and household incomes could be zero. It was not the intent to investigate which use of public lands would maximize these particular items, but to demonstrate the effects of changing one of the present uses.

In addition to the above-mentioned changes, a reduction in the quantity of federal grazing could influence the trade relationships of several sectors, particularly the two agricultural ones. It is possible that trade between the two agricultural sectors might increase if the Dependent Ranches sector were denied access to the federal range. This would manifest itself in an increased quantity of hay sold to the Dependent Ranches sector by the Other Agriculture sector or in an increased quantity of pasture and rangeland which was owned by the Other Agriculture sector being rented or leased to Dependent Ranches. This would require excess capacity in the Other Agriculture sector or a bidding away of resources by the Dependent Ranches. If some of the ranches affected by a reduction solved part of the problem by purchasing more hay (an expensive long-run solution) from outside the county, this would increase the proportion of their gross receipts which left the county (leakage) and would show up as increased imports. If this importation of hay were carried out by the Agricultural Services sector, two of the coefficients in Table 6 would change: the proportion of gross sales spent on imports by the Agricultural Services sector would increase, and the proportion of gross receipts of the Dependent Ranches sector which was spent in the Agriculture Services sector would increase. There probably are other changes which might occur, but further speculation is unnecessary. Much more research and thought is necessary to correctly predict coefficient changes.

Increase in Timber Harvest

In view of the fact that 75% of the logs harvested in Grant County in 1964 were from federal land, the lumber industry in the county is highly sensitive to policy concerning allowable cut from national forests. A change in policy could have a significant effect on the economy.

Several factors could enter into a change in the allowable cut from federal land. Changing markets have created a demand for various species which were heretofore uneconomical to harvest. Also, timber stand improvement projects in recent years have increased the



Lumber production is an important economic activity in Grant County. Most of the logs come from national forest land. (Courtesy U.S. Forest Service.)

quantity of marketable logs on many forests. As a result, it appears that if a change in allowable cut were enacted, it would be a slight increase.

INCREASE IN GROSS OUTPUT OF THE LUMBER SECTOR

The Lumber sector consists of three subsectors: the mills, the loggers who harvest the timber, and the trucking firms which haul both logs and processed lumber. There were six commercial lumber mills in Grant County in 1964 and each processed logs harvested within the county. The processed lumber was then hauled out of the county to either Burns, Baker, Pendleton, or Prineville. The total output (gross receipts) of the mill subsector was the value of processed lumber shipped by these six mills. Added to this are other miscellaneous mill receipts.

The logging and hauling subsectors are the other portion of the Lumber sector, and their gross output is represented by the total value of their services for 1964.

To investigate the possible impact from an increase in the allowable cut of federally owned timber, a hypothesized increase in the output of the Lumber sector was traced through the model. An increase of 10% in the sector's output would be \$1,388,667, which would bring the gross output of the Lumber sector to \$15,275,337.

BUSINESS INCOME EFFECT

The analysis here will parallel that of the preceding section where the impact from a reduction in grazing was investigated. Table 11 presents the results from the 10% increase in output of the Lumber sector. Columns 1 and 2 are taken from Table 5 and represent the final demand in 1964 and the total output in 1964, respectively, for the 14 sectors. To simulate the increase, the final demand of the Lumber sector is increased by the amount of the direct effect upon the sector, or \$1,388,667. This brings the projected final demand of the sector to \$14,120,561 (\$12,731,894 plus \$1,388,667). Notice that the projected final demands of the other 13 sectors are unchanged. The model is then solved to derive new total projected outputs for all 14 sectors. These are shown in Column 4 of Table 11. Column 5 of the same table shows the increase in sector output which would be expected to result from an increase in the output of the Lumber sector. It is observed that the increase in the output of the Lumber sector is greater than the original \$1,388,667 by \$125,945. This again is a manifestation of the economic interdependence within the economy.

The greatest increase is in the Automotive sector which would experience an almost 2% increase in output, or \$141,176. The second most significant increase (percentage) is in the Agricultural Services sector, a 1.35% change. The absolute change of this sector is overshadowed by several others, but its relative increase is greater.

HOUSEHOLD INCOME EFFECT

As in the case of a reduction in federal grazing, the impact of an increase in timber harvest upon Grant County household incomes is presented. The income multiplier for each of the 14 sectors was previously computed (Table 8).

To project the impact upon all household incomes in Grant County, the impact upon households in the Lumber sector must first be computed. This is accomplished by multiplying the household coefficient (Table 6, Row 15) of the Lumber sector times the total change in that sector. Thus,

$$(\$301076) \times (\$1,514,612) = \$456,013$$

is the amount that household incomes in the Lumber sector would increase from the 10% increase in output. To estimate the ultimate impact upon total county household income, this figure is multiplied by the household income multiplier of the Lumber sector:

$$(\$456,013) \times (1.169734) = \$533,414.$$

The total increase to Grant County household incomes would therefore be \$533,414; \$456,013 of this would be in the Lumber sector, with the remaining \$77,401 coming as increased incomes to the households of the other 13 sectors.

Just as in the case of a change in the quantity of federal grazing, there are other changes which might take place. The increased household incomes could reflect more earnings by presently employed workers as well as more jobs. Investment could be stimulated, and this might further increase gross receipts and household incomes.

Table 11. Results of a 10% Increase in Gross Sales (Output) of the Lumber Sector, Grant County, Oregon

| | Final demand (1964) \$ Y_i (1) | Total output (1964) \$ X_i (2) | Projected final demand \$ \hat{Y}_i (3) | Projected total output \$ \hat{X}_i (4) | Increase in output \$ (5) | Percent increase ¹ (6) |
|---|---|---|--|--|---------------------------------------|---|
| Dependent Ranches | 3,543,857 | 3,721,243 | 3,543,857 | 3,726,087 | 4,844 | 0.13 |
| Other Agriculture | 999,455 | 1,066,298 | 999,455 | 1,066,609 | 311 | 0.03 |
| Lumber | 12,731,894 | 13,886,670 | 14,120,561 | 15,401,282 | 1,514,612 | 10.91 |
| Mining | 358,000 | 358,000 | 358,000 | 358,000 | — | 0 |
| Lodging | 402,610 | 415,600 | 402,610 | 416,103 | 503 | 0.12 |
| Cafes and Taverns | 763,500 | 763,500 | 763,500 | 763,500 | — | 0 |
| Agricultural Services | 58,092 | 384,000 | 58,092 | 389,196 | 5,196 | 1.35 |
| Automotive | 4,266,168 | 8,027,277 | 4,266,168 | 8,168,453 | 141,176 | 1.76 |
| Communication and Trans- portation | 759,162 | 1,088,453 | 759,162 | 1,096,223 | 7,770 | 0.72 |
| Professional | 931,848 | 1,110,118 | 931,848 | 1,111,937 | 1,819 | 0.16 |
| Financial | 659,964 | 922,831 | 659,964 | 931,102 | 8,271 | 0.90 |
| Construction | 717,307 | 780,135 | 717,307 | 780,589 | 454 | 0.06 |
| Products | 9,513,829 | 11,812,485 | 9,513,829 | 11,901,433 | 88,948 | 0.75 |
| Services | 621,827 | 1,002,819 | 621,827 | 1,013,158 | 10,339 | 1.03 |
| TOTALS | | 45,339,429 | | 47,123,672 | 1,784,243 | 3.94 |

¹ Each figure is the percent change for that respective sector. The sum of this column is meaningless unless weighted. The percentage change in total county business is found by $1,784,243/45,339,429 \times 100 = 3.94$.

Scope of the Findings

While the stated relationships and interactions hold for Grant County, their applicability to other areas of eastern Oregon, and indeed the West, greatly influence their significance. It is reasonable to assume that production of livestock or harvested timber is basically the same between and among somewhat similar regions. That is to say, beef production or the harvesting of timber in Grant County requires approximately the same quantity of the various inputs *per dollar of output* as do the same activities in other reasonably similar areas. Ranchers with federal grazing in Harney, Baker, Crook, or Lake counties can be expected to buy approximately the same *proportion* of inputs from the Agricultural Services sector, the Automotive sector, the Communications and Transportation sector, the Professional Services sector, the Financial sector, and so forth as do ranchers with federal grazing in Grant County. The same would hold for similar regions in other western states.

What will change, of course, is the relative importance of federal lands to beef and lumber production and the relative importance of these two activities in the total economic milieu of a county.

Concerning federal range use, if the area in question were the 19-county area of eastern Oregon, and if federal range beef production were of similar relative importance in this larger area as in Grant County, then ranchers with federal grazing could be expected to spend at least as much per dollar of output as they do in Grant County. The reason they would spend as much, and probably more, is that this larger area would be more self-sufficient than Grant County. There would be less need to import from outside of the system.

The relative importance of public lands to beef production is not the same in all counties of eastern Oregon

as revealed in Table 3. Harney, Grant, and Lake counties are all very similar in relevant aspects, and thus it appears that agricultural activity in the three counties is equally dependent upon federal lands.

Agricultural production in the counties of Baker, Wallowa, Deschutes, Crook, Wheeler, Malheur, Klamath, and Union is less dependent upon federal lands than in the first three counties enumerated. However, these counties have sizeable tracts of federal range, and the production of beef cattle in relation to the total agriculture is fairly similar. Although ranchers with federal grazing would spend approximately the same amount per dollar of output in these counties as would ranchers in Harney, Grant, and Lake counties, the relative importance of federal range operations is not as great. Although the absolute amount might be more than in Grant County, the relative significance to the total economic output would be somewhat less.

The remaining eight counties are Umatilla, Jefferson, Morrow, Wasco, Gilliam, Jackson, Sherman, and Hood River. Other agricultural activities in these counties overshadow the importance of range-beef production to the extent that one is much less confident in applying the findings of this study to them.

The lumber industry in eastern Oregon was not studied in the same detail as the range-livestock industry and, therefore, to generalize for eastern Oregon would be highly speculative. Of the 19 counties in eastern Oregon, 9 obtained more than 60% of their total log production (1964) from Forest Service lands. However, more information is needed on the lumber industry to accurately predict how closely the results for Grant County would apply for the rest of eastern Oregon.

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Appendix

The Input-Output Model as a Predictive Device

The technique of predicting with input-output models can best be illustrated in equation form. Equation (1) presents the input-output system with its only variable, namely output, being dependent upon two parameters; final demand and the input-output coefficients. Equations (1) through (6) trace the solution of the model and the derivation of the inverse matrix.¹² The inverse matrix, or matrix of direct and indirect coefficients, shows the total change in required purchases of one sector from all other sectors, for a \$1.00 change in final demand of that one sector.

The input-output system can be expressed as:

$$X_i = \sum_{j=1}^n a_{ij} X_j + Y_i \quad i = 1, 2, \dots, m \quad (1)$$

where X_i represents total output of the i th sector,

$\sum_{j=1}^n a_{ij} X_j$ represents total demand in the i th sector as

depicted by the processing portion, and Y_i represents final demand in the i th sector. Rewriting equation (1) in matrix form yields

$$X = AX + Y \quad (2)$$

or

$$X - AX = Y \quad (3)$$

where

X represents a column vector of outputs for the economy (m elements),

A represents the $m \times n$ matrix of trade coefficients (a_{ij} 's), and

Y represents the column vector of final demand (m elements).

With I representing an identity matrix¹³, X can be multiplied times I , leaving it unchanged; that is ($IX = X$).

¹² An identity matrix is one in which all elements are zero except those in the principal diagonal, i.e., starting in the upper left-hand corner and proceeding diagonally to the lower right-hand corner. The elements in the principal diagonal are ones.

¹³ For a more exhaustive treatment of input-output solutions, see: Dwyer (4), Chenery and Clark (3), and Evans (5).

Thus, equation (3) can be rewritten as

$$IX - AX = [I - A]X = Y \quad (4)$$

Solving for X in equation (4) yields

$$X = [I - A]^{-1} Y \quad (5)$$

This provides a solution for the system. The inverse of $[I - A]$ can be used for estimating new levels of output; for predicted levels of final demand (Y), equation (6) yields the projected levels of total output (\hat{X}),

$$\hat{X} = [I - A]^{-1} [\hat{Y}] \quad (6)$$

THE HOUSEHOLD INCOME MULTIPLIER

The household income multiplier depicts the total change in county household income from a \$1.00 change in the output of any of the sectors in the economy. The multiplier is computed using Table 7 and the a_{1sj} elements (household row, Columns 1-14) of Table 5 (trade coefficients matrix).¹⁴ M_k , which is the household income multiplier of the k th sector, is found by:

$$M_k = \sum_{j=1}^{14} \frac{a_{1sj} r_{jk}}{a_{1sk}} \quad (7)$$

where

a_{1sj} represents the value of purchased labor services from the household sector by the j th sector per dollar of gross output in the j th sector, and

r_{jk} represents the elements of $[I - A]^{-1}$; the numerical values are found in Table 7.

SECTORS OF THE GRANT COUNTY MODEL

The following table lists the 14 sectors as defined in the Grant County model and the types of businesses found in each.

¹⁴ For a more thorough discussion of the income and employment multipliers see Lofting and McGahey (7), and Moore and Petersen (10).

Appendix Table 1. Sectors and Subsectors of Grant County Businesses, 1964

| Sector | Subsector |
|---|--|
| Dependent Ranches | Cattle ranches with Forest Service or Bureau of Land Management grazing privileges |
| Other Agriculture | All other farms and ranches |
| Lumber | Lumber mills, logging, and lumber trucking |
| Mining | |
| Lodging | Hotels, motels, trailer parks, apartments, and resorts |
| Cafes and Taverns | |
| Agricultural Services | Feed, seed, and farm machinery |
| Automotive Sales and Services | Gas and oil distributors, service stations, auto repairs, auto sales, tires, auto supplies, and machine shops |
| Communications and Transportation | Radio stations, newspapers, trucking, Western Union, T.V. cable, busses, railroads, telephones, and aircraft |
| Professional Services | Physicians and dentists, attorneys, optometrists, accounts, hospital services, and veterinarians |
| Financial | Banks and loan agencies |
| Construction | Lumber (retail), contractors, and hardware |
| Product oriented (wholesale and retail) | Groceries, furniture, department and variety, florists, jewelers, electricity and gas, clothing and shoes, appliances, drug stores, machinery dealers, office supplies, and all other (dairy, photo, Sears, Montgomery Ward, liquor store, saw shop, etc.) |
| Service oriented (wholesale and retail) | Barber and beauty shop, insurance and real estate, laundry and cleaning, nonprofit organizations (churches, Elks Club, etc.), entertainment (movies, golf, bowling), saddle-maker, garbage disposal, other repairs (gunsmith, etc.), undertaking, and all other (credit bureau, Chamber of Commerce) |
| Households | All private individuals |

RANGE HISTORY—GRANT COUNTY, OREG.

USE OF RANGELAND

At the turn of the century, the hills of Grant County were already seeing considerable use by domestic livestock. At this time, cattle were run primarily for their hides. In later years, the primary concern was in numbers of cattle with little thought to what effect cattle numbers were having on the range forage.

The present day operators must fully consider the pounds of beef or lamb he can produce and the cost of the production. The greatest need, then, is for improved forage cover not only for more economical meat production but to meet the many needs of related resources including deer, watersheds, etc.

Early records show very few deer existing in the county. The first white man found only white tail deer along the river and creek bottoms. Mule deer numbers built up rapidly starting in the early 1920's. By the middle 30's they were built up to where they starved to death by the thousands on the lower elevations or deer wintering areas. This situation continued until the late 50's. The deer were competing with domestic livestock for the available forage on the lower elevation ranges which further aggravated the range condition.

JUNIPER AND TREE THICKETS CAUSE REDUCTION IN FORAGE

The over-use of the range, both private and public, in the early 1900's played a big part in starting the invasion of juniper and timber thickets that contribute heavily to the downward trend in forage production today for both domestic livestock and big game. Destroying the forage cover reduced the competition giving these tree species a chance to take hold. Fire prevention has also given the various tree species a chance to take over the land.

AGENCY AND RANCHER COOPERATION

Past experiences here in Grant County clearly show that the answer to range and other resource developments lies in the cooperation of land users, administrators of public lands, and the other agencies interested in various phases of resource development and conservation.

Ranchers, businessmen and the various agencies have worked closely together in gathering facts. Through development trials and surveys, all available research results that apply to the area have been studied and put into at least trial use, needed research has been promoted and as progress has been made, it has pointed the way for even further needs, especially in the way of research.

Established projects in range, timber and watershed management have pointed up the need for an all out push in this direction in order to stabilize the economy of the area.

NORTHSIDE RESOURCE DEVELOPMENT PROJECT

This project started back in 1950 and involves an area of 165,000 acres laying North of the Main Fork of the John Day River. The lower elevations are privately owned and the higher elevations are National Forest Lands.

In the beginning, this project was called the Northside Deer Problem Area. Deer were the major focus. As this project developed, it became obvious that all the resources were involved and needed attention. The name was changed to Northside Resource Development Project.

Deer numbers had increased beyond the available winter feed and were competing heavily with domestic stock. Deer production was terrible. Fall surveys made showed only 39 fawns per 100 does, most of the fawns being weaker and less able to compete for what forage there was were the first to die. With only bucks being legal game at that time, harvests were poor.

Study plots established throughout the area showed that the deer were taking from 31 percent to 48.5 percent of the forage and only 6 percent of the grass was recovering or growing back after the deer left the area. Erosion was severe throughout the area.

A COOPERATIVE EFFORT BY RANCHERS AND AGENCY PEOPLE

Up to 1950, the Game Commission had based their regulations as far as numbers were concerned on land owner tolerance with little, if any, attention

to the range forage situation. Ranchers in the area tended to compete with the deer by taking as much forage as possible by domestic stock. The range and relationships were both deteriorating very rapidly.

A move was started by the County Extension Agent and a group of ranchers to initiate a change in this situation. Tours were arranged first to get Game Commission, ranchers and sportsmen as well as various agency people to look the area over to see the problem, discuss the situation and start plans for improvements.

INTER-AGENCY GROUP SET UP

Plans were developed for more detailed surveys to determine deer use and trends, range conditions and potentials, and forage demonstrations and trials. Plans were made to establish special deer hunting season to determine the effect on deer production and forage trends.

This resulted in the formation of an Inter-Agency group that has continued and worked together on many other projects.

Since it was determined that the best brains possible should be used in studying this resource development, a technical action panel was established. This panel consisted of the top range people from the following agencies to work with ranchers and the local agency people:

Oregon State University Range Department
Oregon State Game Commission
U.S. Forest Service
Bureau of Land Management
Soil Conservation Service

A sample survey was made of the area. The first row running north and south of Sections in each township were used as the sample area. The above mentioned technical action panel made this survey. Applying this sample survey to the entire area in brief the following range conditions were found:

5% of the area was in good condition (producing from 50-70% of what it originally produced).

22% was in fair condition (producing 25-50% of what it originally produced).

72% was in poor condition (producing less than 25% of what it originally produced).

Other facts such as acres of reseedable ground, etc was recorded and mapped.

The survey showed a forage production of 12,097 animal unit months of feed and a potential of at least 36,242 animal unit months of feed. (An animal unit month of feed is the forage needed for a mature cow for one month).

Deer trend counts were studied along with an aerial count. An estimated 6,000 deer were using the area. Using a figure of 5 deer for 1 cow for a 5 month period (many years deer are on the area for 6 months or more) the panel came up with 6,000 animal unit months of feed being used by deer.

A survey of cattle use showed 11,975 animal unit months of feed used by cattle or a total use of 17,975 animal unit months. With a production of 12,097 animal unit months, the over-use was verified.

Plot and demonstration seedings were established through rancher and inter-agency cooperation. Various systems of juniper eradication and seedbed preparation have been demonstrated as they were developed.

The seedings have shown:

1. The potential for increased forage production for both domestic and big game.
2. How this forage production could be best used by both domestic and big game.
3. What effect a good forage cover can have on preventing erosion.
4. How it would improve the area as a water shed.

A cloud burst hit one of these seedings three years after establishment that emphasized the watershed and erosion benefits. Two inches of rain fell in 30 minutes. 97% of this moisture went into the soil in the seeded areas and only 10% went into the soil in the unimproved areas. Two to three inches of soil was lost in the unimproved areas and soil actually built up in the seeded plots due to sediment being deposited as it washed down across the plots from the unimproved areas above.

The sediment from this storm, according to the State Game Biologist, killed all of the fish in the John Day River for at least 100 miles downstream from where the sediment loaded streams entered the River.

Seeded areas have increased the production on given areas from 50-70 pounds of air-dry forage per acre to from 700-1500 pounds of air-dry forage per acre.

FORAGE USE BY WILDLIFE AND CATTLE

Since this project was started forage studies on this area and also on the Bridge Creek Flats near Ukiah, Oregon, have shown that both deer and elk will use grass (especially wheatgrass species) during the critical winter season much more efficiently if it has been cropped down by cattle. Using grass early by cattle and getting off while there is still moisture in the soil, causes the grass plant to produce vegetative or leaf growth rather than stemmy stalks. This vegetative growth holds its nutrients better and therefore is more palatable and nutritious during the winter months for both deer and elk.

This system works especially well with the wheatgrass varieties such as crested and pubescent. A system of rotating this early spring use from year to year also maintains good grass vigor which means earlier spring growth.

The big problem lies in getting these seedings done in large enough volumes to overcome the concentrations of big game. Benefits other than added feed for domestic stock need to be considered and arrangements made for sharing in the costs of these range improvement projects.

Cost benefit ratios need to be studied and used in future resource development projects.

MURDERERS CREEK PROJECT

The most recent undertaking of the Inter Agency Group has been a complete resource study of the Murderers Creek drainage. This area was selected for study because it involved an entire watershed and has all of the resource problems and potentials that exist in many other areas in this and other counties. It also involves private, Bureau of Land Management and U.S. Forest Service lands. The private land owners all lease BLM Section 15 lands and have U.S. Forest Service permits in the watershed.

A complete resource analysis is nearing completion. This project will make it possible to study the year-long forage needs of a given operator. Development projects are underway which will include the following practices:

1. Range seeding.
2. Fencing for better livestock distribution and to make it possible to correlate grazing use and season of use with deer.
3. Juniper control and seeding.
4. Timber thinning for increased timber production, increased forage production and to improve the area as a watershed.

This unit study will make it possible to further study the inter-relationship of several different resources.

It will also be of real help in studying cost and benefits which will make it possible to arrive at cost-benefit ratios. This information is needed in order to be able to prorate costs to the benefits derived.

Many projects will be feasible where this kind of approach is used and those benefitting pay their share, including the general public.

This project will also help in putting the recent county-wide resource analysis into focus. It will be extremely helpful in developing plans for and in getting resource development projects underway.

Senator CHURCH. Our next witness is Mr. Harry F. Lee, president of the Public Lands Council. I understand he is accompanied by Mr. Karl Weikel, vice president, and Mr. Joseph H. Tudor.

I would like to turn this over to Senator Anderson, since the witnesses are from New Mexico.

Senator ANDERSON. I merely want to say that this is a very fine family represented here today. These folks are all very good folks and I have known Mr. Lee's father for at least 45 years. I knew him before Harry was born. We are all very highly pleased with these people. There is one defect which you can recognize, I am sure. Sometimes they vote wrong, But they are fine folks.

Mr. LEE. Thank you very much, Senator Anderson.

Senator CHURCH. Let me join in welcoming you here today. Please proceed as you would like. Try to be mindful of our problem and we will try to be mindful of yours. I know you have waited a long time to testify, but you understand, that it is 20 minutes to 5 now.

STATEMENT OF HARRY F. LEE, PRESIDENT, PUBLIC LANDS COUNCIL, ACCOMPANIED BY KARL WEIKEL, VICE PRESIDENT, AND JOSEPH H. TUDOR, GENERAL COUNSEL

Mr. LEE. Mr. Chairman, my name is Harry F. Lee. I operate the Fernandez Co. ranch in San Mateo, N. Mex. I appear here today as president of the Public Lands Council, a nonprofit corporation organized within the past 2 years. The Public Lands Council is composed of leaders of the organized cattle and sheep industries in the Western States interested in the continued wise use and conservation of the Federal lands and forests and the natural resources thereon.

Sitting with me is Mr. Karl Weikel, vice president of the Public Lands Council and operator of the YKL cattle ranch at Searchlight, Nev. Also with me is Mr. Joseph H. Tudor, our legal adviser, who was for many years Assistant Solicitor in the Department of the Interior until his resignation almost a year ago.

We are here on behalf of the thousands of individual stockmen, beef and woolgrowers alike, represented in our council, to express our concern with and opposition to the new grazing fee regulations recently announced by the Department of the Interior and the Department of Agriculture. Our objections are in two main areas which though they are interrelated differ somewhat as to the BLM lands and the Forest Service lands.

REASONABLE FEES

The new Interior regulations state that the grazing fee increase is required as the result of the western livestock grazing survey of 1966. In an earlier explanatory letter to Grazing District Advisory Board members, the Director, Bureau of Land Management, stated:

The study and the various recommendations based on it have been the subject of numerous high level discussions among the Departments of the Interior, Agriculture and Bureau of the Budget which has taken a keen interest in this matter because of its Circular A-25 which requires Government agencies to charge the fair market value for Federally-owned resources. The purpose of the study was to secure definite economic information upon which to determine fair market value.

Any analysis of the Department's fair-market-value adjustment in fees charged for grazing on lands in grazing districts must be made in the light of the requirements and limitations placed upon the Secretary of the Interior by Congress in the pertinent enabling legislation, as well as by the requirements of the executive branch acting through the Bureau of the Budget directives.

The specific guidance and criterion given by Congress to the Secretary of the Interior in establishing fees for use of Federal range is found in section 3 of the Taylor Act as amended in 1947. Section 3 prescribes that the Secretary shall issue permits upon the payment annually of reasonable fees which shall consist of a range-improvement fee and a fee for the use of the range; and that in fixing these

fees the Secretary "shall take into account the extent to which grazing districts yield public benefits over and above those accruing to the users of the forage resources."

Section 3 does not specify or define the "public benefits" to which it refers. It would include at a minimum, benefits to the public through enhancement of watershed, wildlife, and recreation uses arising as a result of grazing district administration. With the growing emphasis on multiple uses and increasing involvement of permittees in the costly allotment management plans required in the use of Federal range lands for grazing, there can be no doubt that the public benefits have been increasing in quantity and quality, not diminishing in recent years. This points up, we believe, a major defect or omission in the Secretary's proposal to increase the fees based on the results of the 1966 survey. Neither in that study nor separately on his own motion does it appear that the public benefits have been taken into account as a part of the fee-fixing process prescribed by statute for the guidance of the Secretary.

The Secretary in the new regulation has indicated, in effect, that the "fair market value" criterion of Circular A-25 has superseded the "reasonable fee" and "public benefits" limitations of section 3 of the Taylor Act. Circular A-25 itself recognizes the possibility that it would not apply in all situations. Thus section 6 of Circular A-25 provides:

6. Changes in existing law. In cases where collection of fees and charges for services or property in accordance with the Circular is limited or restricted by provision of existing law, the agencies concerned will submit appropriate remedial legislative proposals to the Bureau of the Budget under the established * * * procedure * * *.

We believe that the exception in section 6 does apply to the grazing fee standards and restrictions of the Taylor Act. In any event, there is enough of a departure from the statutory procedure to warrant our bringing this matter to the attention of your committee.

THE 1966 GRAZING SURVEY—PERMIT VALUE

The 1966 western grazing survey was undertaken, in part, to help determine the value of the Federal forage resource to the user. This was to be accomplished by measuring the difference between total costs of operation on comparable private leased grazing land and the total nonfee costs of operating on the Federal lands, national forest and BLM range. As originally designed and understood by the livestock industry, the so-called permit value factor was included as one of the 15 cost variable factors to be studied. Its inclusion in the study as a cost of doing business is in conformity with sound economic and legal principles and consistent also with the Federal policy that the resource users be afforded equitable treatment.

It was only when tentative results of the survey led to the inevitable conclusion that, based on all of the 15 factors studied, permittees running livestock on Forest Service lands presently were paying, on the average, more than full market value for an AUM of forest forage, that the agency exhibited a change of heart and of direction. Similarly, as to BLM lands, the studies showed that the nonfee cost of operation on public lands was 43 cents less than the total of similar costs on pri-

vate lands; and that the permittees who were then paying 33 cents per AUM of Federal range forage should be paying an additional 10 cents, for a total of 43 cents an AUM, to put them on a parity with private lease costs, thus reaching the fair market level as requested by the Bureau of the Budget.

The two Departments, without justification, in our view, eliminated the permit value factor from the 1966 survey results and arbitrarily arrived at the conclusion that \$1.23 per AUM represented the difference in comparable costs of grazing on private lands versus public lands. The alleged reasons for exclusion of the permit value factor are not easy to follow. The Interior Secretary erroneously equated permit value with a purported rancher claim to a proprietary interest in the public lands. The Secretary of Agriculture, on the other hand, stated that governmental policy as established in Budget's Circular A-25 "precluded a monetary consideration in the fee structure for any permit value that may be capitalized into the permit holder's private ranching operation."

We find nothing in Circular A-25 that can be interpreted as applying, directly or indirectly, to the concept, "permit value." In fact, that economic concept did not arise or come into the use until after the issuance of Circular A-25 in 1959. The policy established by the circular, however, directs that a fair market value be obtained for all services and resources provided the public "through the establishment of reasonable fee charges, and that the users be afforded equitable treatment." The circular does not spell out how "fair market value" is to be determined nor designate the factors to be included or omitted.

Whatever the theoretical concept may be, the term "permit value" in our view may be thought of as applying to the special qualities or attributes of "priority" and "commensurability" inherent in the underlying base property (land or water) dependent upon continued use of Federal range to constitute an economic ranching unit. These special qualities, under Forest Service regulations and under the Taylor Act, are required as a condition preceding and are given recognition in the form of preference or entitlement to available grazing privileges, superior to that of a competing rancher-applicant seeking the same Federal forage but whose private base lands do not possess one or the other of these special attributes.

When it comes to leasing comparable private lands for the forage resource thereon, the prospective lessee generally is not required by the private landowner, as a precondition to obtaining a lease, to own or possess base land with either priority or commensurability. Therefore the private lessee seeking to establish an economic unit is not required to invest additional funds in lands containing these special attributes or values. In short, his costs of doing business utilizing private lands are, to that extent, less than the comparable cost would be if he sought to qualify for Federal forage.

In this concept, then, the Federal grazing permit or license, BLM and Forest Service, may be viewed as the document that acknowledges and gives recognition (in the form of grazing privileges measured in AUM's), to the preference attributes of the associated base property. It is this preference to available Federal grazing privileges that has a value in the marketplace to a rancher seeking the use of Federal

forage, over and above the value of the bare private land itself; it is bought and sold and has a measurable dollar value. It is a legitimate and long-recognized economic asset that is inheritable, transferable, taxable, and frequently serves as additional security for a loan.

It is this incremental value, based on additional investment, which is capitalized into the value of the particular private ranch. Since an applicant for Federal grazing privileges, generally cannot obtain them unless he has the required kind of dependent base property in support of his application, the necessary additional investment (permit value) is properly a cost of doing business on Federal land, at least for the narrow comparative cost purposes of the 1966 study.

The recognition of permit value, in our concept, is far removed from constituting a claim to a proprietary interest in public land; it does represent an additional and required cost to the permittee seeking Federal grazing privileges. The factor should be restored to its rightful place as one of the recognized cost items in the 1966 study, so that an equitable "fair market value" may be truly determined. We share the feeling of most Western stockmen that the results of the 1966 grazing survey were deliberately perverted to achieve the results desired by the Bureau of the Budget; namely, an eventual substantial increase in grazing resource revenues. For BLM, for example, the fees would climb to \$14.5 million from the \$3.8 million in 1968.

The Western livestock industry, as you know, Mr. Chairman, is a marginal earner at best. It has been reported that, on the average, cattle ranchers realized 2 percent and sheep rancher 2.6 percent return on their investment; some of the larger more efficient producers may earn between 4 and 5 percent, while at the other extreme the smaller, less efficient producers receive 1 percent or even negative return on their investments. The new regulations prescribe an automatic cumulative annual increment in fees over the next 10 years. What will be the economic impact on the user, of these upward adjustments in fees? This has been expressed by the Forest Service in these words:

Where grazing permits have acquired value, the immediate effect of an upward adjustment in fees would be an increase in costs of production and a corresponding reduction in ranch income. The longer-run effect of increased fees would very likely be a reduction in the value of permits resulting in disinvestment and capital losses. This, in turn, would have an impact on ranch values, the credit position of grazing permittees, and on lending institutions holding mortgages on ranch property.

Such an officially anticipated drastic impact on ranchers hardly squares with the intent of Congress "to stabilize the livestock industry dependent upon the public range," as enunciated in the Taylor Act; nor does it conform to the policy, repeated in the Forest Service regulation, that "the users be afforded equitable treatment." A number of lending institutions doing business with western ranchers have already reacted unfavorably to the announced long-term fee schedules. One such farm credit board warned that the increase in grazing fees—

Will add substantially to the annual operating costs of ranchers being served by Federal Land Bank Associations and Production Credit Associations, resulting in even narrower margins of operating income, or increasing operating losses now being suffered by many such ranchers. Such increased costs and the adverse effect on operating margins may also adversely affect the credit quality of loans held by farm credit banks and associations.

Your committee knows, I am sure, that grazing fees are not the only cash outlays that ranchers expend on the Federal lands. I have previously mentioned allotment management plans, the more intensive land-management programs and the accelerating multiple use of the natural resources on or in these lands. Range management programs are planned and carried out by the agencies in cooperation with grazing permittees. Permittee investment takes many forms, including deferred livestock grazing use to facilitate an improvement project, also contributions in time, materials, and labor in addition to cash. The Forest Service, for example, has stated that in recent years its permittees have invested approximately \$1 million annually for range improvements on the national forests and national grasslands alone. A comparable figure, I am sure, is true for private rancher funds expended to improve the BLM range lands.

The report of the Interdepartmental Grazing Fee Committee (1967) stresses the advantages to the general public arising from these rarely acknowledged private expenditures. The report states:

Over the years [agency] policies and programs have recognized that successful administration and management of public grazing resources depends to a large extent on user cooperation. It has also been recognized that grazing permittees make a *significant financial contribution* to resource management over and above actual investments in improvement programs; and that management and improvement of the range resources yield benefits in terms of improved soil and forage conditions, wildlife habitat, recreation and watershed values, in addition to increased livestock use. Permittee contributions are in terms of costs of managing livestock on public ranges, maintenance of improvements, and other cooperation efforts *not usually required on similar private grazing lands*. Continued cooperation of this nature is essential to [agency] land management programs.

Mr. Chairman, the western rancher knows that he must not look back yearningly to the conditions that prevailed two or three decades ago in the livestock industry, even though the current price he receives for his product has not shown much advance since then. He knows that he must be prepared to pay his full and fair share for the Federal forage resources that he needs for an economic grazing operation, just as he expects that the users of other resources, timber, minerals, recreation, and the like shall pay for their uses.

The Public Land Law Review Commission has been engaged in an intensive study of the impacts and interrelationships of public land uses, now and for the future, including grazing forage use. Its report and recommendations, due in 1970, will be of great value for the understanding and guidance of the Congress, the Federal agencies, the many land users, and the American public generally.

We believe that the present heads of the two Departments, Interior and Agriculture, can and in all good conscience should suspend or delay those portions of the new regulations which set automatic fee increases beginning in 1970 and thereafter. We know that the Congress in line with its overview responsibilities for agency operations will give prompt and full consideration to the recommendations of the Public Land Law Review Commission, as well as to the views and needs of the land using industries. We look to this committee and to the Congress in due course to provide updated legislative guidelines relating to grazing fees, tenure, access, compatible uses, and the many complex issues affecting the future of the Western livestock industry and of the local communities of which it is a vital part.

We appreciate this opportunity to express our thinking on the problems arising from the new regulations. We look forward hopefully to the results of this hearing. Thank you, Mr. Chairman.

Senator CHURCH. Mr. Tudor?

Mr. TUDOR. Thank you, Mr. Chairman. I may take a few moments more than a brief statement. I am very mindful of our responsibilities to the committee and to the welfare of this committee. Much as I would like to be fair to my organization, I also am mindful of the remaining time of this committee, which has had a very difficult 2 days.

This morning, Senator Bible asked a question of Mr. Reuben Pankey of the Government relating to statements of the Bureau or of the Government people. Mr. Pankey did not have such a statement handy. I did or thought I did and I showed it to Senator Bible. He looked at it and said, "Yes, this is what I want." He asked me, with your permission, to read it into the record. If I may, Mr. Chairman, I will do so.

This is the statement I showed Senator Bible:

In a statement made before the Senate Public Lands Subcommittee during the 1963 grazing fee hearings the then Assistant Secretary of the Interior John A. Carver Jr. said:

"Particularly I have pointed out that both the priority system and the low costs tend to be capitalized into the base property or into other values taken into account when ranches are bought and sold. Taylor 'Right' have a value as any rancher or cattle country banker will tell you."

This was consistent with an earlier 1962 statement Mr. Carver made in an address to the National Advisory Board Council discussing various principles for grazing fee increases. He cited the following as one of the pertinent principles, Principle No. 2: "The situation of the users has to be taken into account and particularly the capitalized value of the Taylor Act priorities and fee levels. Raising fees without adequate consideration of this"—that is the capitalized value—"could result in confiscatory action."

This satisfies my obligation to Senator Bible, Mr. Chairman.

As a lawyer who has served the Department of the Interior for some 35 years, I was intimately and continuously associated with the interpretation and application of the Taylor Grazing Act and the regulations thereunder. So I speak, if I may say so, with due modesty, with a certain amount of expertise. The problem has been pointed out very specifically that the question or basic issue involves the values of the grazing permit and words of legal impact have been used, legal meaning, which are used by a layman sometimes at his peril. One of these is the words "a proprietary interest" or as Secretary Udall phrased it in a letter to the chairman of the House Interior Committee, December 26, 1968, referring to the grazing privilege or the value of the grazing privilege or grazing permit: "I have not included this interest factor in computing the proposed fee formula. To do so would recognize a proprietary interest in the public lands." Which interest, of course, is prohibited by section 3 of the Taylor Act.

Now, I want to stress very carefully and it is not brought out in our statement, but arose during a meeting, during the hearing, that this is a very important legal question, but so far as I know—and during my tenure in the Department of the Interior, that question would have been referred to me. As recently as Monday or Tuesday of this week, I had asked the Department of the Interior whether there had been any such opinion. My information was that there was no ruling or opinion by the Solicitor's office, the Attorney General, or by any court

which lends support to the Secretary's assertion equating permit value with a "proprietary land interest."

In my opinion, here is nothing in the law that would have barred the Secretary from accepting permit value, however that term may be defined, as an asset so far as the legal side is concerned. Nevertheless, Mr. Chairman, and without going into the question of the distinction between privilege and right, and the chairman very correctly pointed out that privileges may have values even though they are called privileges—these are all legal semantics and a lawyer would have to be very sophisticated to discuss them and even then, he would not agree with another lawyer.

I want to read to you something which may resolve this aspect of our problem. As you will recall, Mr. Chairman, in these 2 days, there have been two main points made why permit value shall not be accepted. One is the legal side relating to the proprietary interest, one is the economic side. I shall direct my attention to the legal side.

I am authorized by the representatives of the organized western livestock industry, the American National Cattlemen's Association, the National Woolgrowers Association, and the Public Lands Council, present at this hearing, to make the following statement:

The western livestock industry disavows and denies any intent or desire to claim or assert as against the United States directly or indirectly, any proprietary interest in or to the public lands or national forest lands purportedly arising out of the recognition by the Federal agencies of "permit values" as a cost factor in any comparison of costs of using or grazing on the public lands compared to private lands as in the 1966 western lands grazing survey except as to any rights arising under the public land laws of the United States in the same ways as they would apply to all other citizens.

What we are trying to do here, Mr. Chairman, is to remove from the controversy this entire problem of vested rights, vested interests, proprietary interests, and so on. Lawyers know that the words "proprietary interest" are very difficult words at best, and lawyers know that proprietary interests are created by written documents or by adverse user, which does not apply as against the United States. They are not created by a study in which an economic factor is or is not considered. So let us remove this bugaboo, and I use the word "bugaboo" advisedly, as the reason why permit value is not recognized.

I assert categorically that the departments in 1967, when they saw the trend of the studies, adopted this—without legal counsel, I might say—adopted this position of a legal organization or a legal position as to why they could not accept permit value.

Now, I am not going to get into the economic phase of it. That has been adequately handled. But there is no legal bar to the acceptance of permit value as a cost of doing business and we ask for it in our statement for the very purpose of the 1966 western grazing survey, which was a study to measure the differences in cost of doing business between the public lands, grazing business on the public lands and on the private lands. Let's get into that again.

Senator Bible asked this morning for the A B C of what is permit value. Let me say, I think our statement has it and I call this most urgently to your attention. The reason we think that permit value is an allowable factor in the cost study is because the requirements of the act, which gave the preference—it was not the Secretary of the

Interior, not the Secretary of Agriculture, who gives something to the livestock man, it was the Congress as the spokesman for the people. The Congress gave these things to the livestock industry back in the early years. And of course, it was created, as somebody pointed out in the course of the hearings, historically by our pioneers in the early days of the livestock industry.

But the statute or the regulations thereunder require that an applicant for a grazing privilege on the public land shall have base land with certain attributes, the attribute of priority and the attribute of commensurability. In this respect, then, he is not in the same position with respect to the United States as anybody approaching a private landowner. In this respect, the Government of the United States, through the Secretary of the Interior or the Secretary of Agriculture, requires that this land shall have a certain attribute.

Now, the one-third who are original owners, they have a valuable asset in the course of the years, this special place, this special position in priorities, this preference right to grazing privileges if they are available, this has become a monetary asset. This has had a place in the marketplace, it is taxable, inheritable, and so on, as you have heard in these 2 days. It is because you cannot get these grazing privileges without these attributes and because these attributes, in order for an applicant to obtain the grazing on the Federal lands, without these attributes, you cannot obtain the Federal land.

These attributes have value or they are a valuable factor in his capitalized structure. These attributes in the course of time are a cost of doing business on public lands and this is the distinction and this is what the study was measuring. They are the distinction between grazing on public lands and the grazing on private land, that you are required to have these attributes and you cannot have them without investment. Therefore, we say very specifically and categorically that this is a proper cost of doing business.

This summarizes our A B C, Mr. Chairman. Thank you.

Mr. LEE. Thank you, Mr. Tudor.

Any questions, Mr. Chairman?

Senator ANDERSON. Do you have any questions on this issue?

Senator HANSEN. Thank you, Mr. Chairman. I do not have any questions. I just want to compliment the distinguished delegation from your State. I have known Mr. Lee and his father for a long, long time. I can share your great appreciation of these gentlemen and the statements they have made here.

Senator CHURCH. Thank you, Senator.

Senator JORDAN. I have no questions.

Senator CHURCH. There are no questions. Thank you very much.

Our next witness is Mr. Bill Davis, the executive secretary of the Arizona Cattle Grower's Association.

You have someone with you, Mr. Davis?

STATEMENT OF BILL DAVIS, EXECUTIVE SECRETARY, ARIZONA CATTLE GROWER'S ASSOCIATION, ACCOMPANIED BY BRAD STEWART, PRESIDENT OF THE ARIZONA CATTLE GROWER'S ASSOCIATION

Mr. DAVIS. I have with me Mr. Brad Stewart, president of the Arizona Cattle Grower's Association.

Senator CHURCH. If there are any other Arizona people here who are going to testify, come forward and join the Arizona group.

Mr. DAVIS. Mr. Chairman, since noon yesterday, I have been marking out parts of this statement, recognizing the time element, until about all I have left are some marginal notes which I would like to refer to.

Senator CHURCH. Would you like the whole statement included in the record at this point?

Mr. DAVIS. Yes, if you would, please.

Senator CHURCH. We will see that this is done.

Mr. DAVIS. First of all, I think this matter of fair market value has to be considered in the context of grazing fees. I have included a part of this in my statement, but I think that the committee should look at fair market value as to whether or not it is a criterion to be used in setting grazing fees.

Along with that, of course, are all the other costs and these things have been referred to throughout the hearing and I will not repeat them. I do want to call attention to a statement made yesterday by Mr. Rasmussen in regard to the grazing fees presently are 2 percent of the cost and they would escalate to 6 percent of the cost under the full formula as applied in 10 years.

An Arizona study will show, in Arizona, that the present grazing fees amount to 5.6 percent of the cost and this would escalate to 16 percent of the cost in 10 years. So this—my point in making this is to indicate that there is a need to study variable fees. We think that the statistics glossed over the idea that all fees should be the same and we disagree with this. We think that there is a fair cause for variability of one section to another, even, if you please, from parts of one ranch to another.

Other studies that I have quoted in here from the University of Arizona simply indicate what others have said about the cost-price squeeze in agriculture and we have further verified this.

Another part of the study that was made and referred to by the SRS has to do with the supposition that these lands are competitive and comparable and we question this. There are many things between these kinds of land that remove the comparability, that remove the competitiveness. I refer to these in my statement. That will also appear in the record, but we think they should be definitely considered in any reevaluation of the grazing fee situation.

Everyone has talked a lot about this matter of multiple use and certainly it is important to remember that grazing is one of the multiple uses—an important one, but only one.

Now, I think that we should ask the question, because the question was put today, of the possibility or the likelihood that grazing or ranchers should be subsidized and the question was put by the wildlife interests. When we review the contribution which the livestock industry has made to the maintenance of the wildlife ranges on these lands, maybe we should ask the question, Who is being subsidized? The wildlife eats the feed, not only the forage that grows there but the feed put out by the ranchers, the salt, the meal, the cake, they use the ranges on the private lands and they do considerable damage on these private lands. Yet this wildlife is available for the hunters who want to go out during the season to get it, so I ask the question, Who is being subsidized?

I want to ask a question and I will attempt to answer it myself, only making one point on this matter of the validity of the value of the permit. My question is this: If the interest factors were used, what proprietary interest or right would be created that does not already exist? Let me attempt to answer that question.

Since the U.S. Department of Agriculture paper states that the studies have confirmed that grazing permits have accrued a value that the private sector buys and sells and uses for collateral—all right. So the fact of value is recognized. At issue is what should be the amount of that value and who should hold it. Inclusion or deletion of one factor in a formula will not increase or decrease rights. It just changes the monetary value.

Use of the interest factor would not change any terms or conditions of the lease. It would not allow a rancher to run more or less cows. It would not give him any more or any fewer rights than he now has. It would not give any more or any less access and use of the land to the hunter, the fisher, the rock hound, or the general public. Application of this factor would not change anything that now exists in terms of rights.

In relation to the present schedule of grazing fees, I would point out as the basis of the studies I referred to a little while ago, the question has been raised about who could stay in business and who could not. In Arizona, using the average profit ratio of \$1.92 per head per year, this means that these people, if they were going to pay the grazing fee out of profits, would have to go out of business the second year after the fee became effective. Others would probably stay longer, but they would be using savings or borrowing on appreciated land values as long as possible, but sooner or later, these people would be forced out unless market prices improve or the cost situation improves. We have heard lots about these people with large outside incomes that take advantage of the tax writeoffs of certain costs. These investors can have a heyday if this is not modified.

I think it would be well for the committee to hear from the Farmers Home Administration. We have a grazing association in Arizona, one more on the books, being proposed. The tremendous amount of private and Federal land involved, the ability of this rancher to pay off and the fees—I would be interested to know what the Farmers Home Administration feels in this regard.

On page 9 of my statement, I briefly listed about 11 factors that I believe should be included as cost factors or factors in arriving at a fair market value other than the ones that were used in the study. These are the so-called public values in this sort of thing.

Now, as a part of this evaluation of these other items, I think that we should take a look at some of the figures that were used yesterday by Mr. Rasmussen. He said that the difference between, and of course, not using all of the cost factors that were available, but the differences between the two costs, the public and the private, was \$1.31. Then he said this becomes the base value. Now, if we take those figures and reduce it then to \$1.23, this means that there is a recognition of six cents for the so-called public values. We can use others of the same figures in the same statement and come up with different figures.

But this is the one he used. So we will use it and say that there has been a six cent recognition in the proposed fee or in the fee that has been announced of 8 cents—\$1.23 to \$1.31.

On the first unnumbered page that I have—two pages were not numbered in the statement—I have attempted to list and I know I cannot do this as objectively as some people, but I have listed the various plusses of this proposed increase, or the increase that has been announced, and the negative side. In my evaluation, it is outnumbered by 10 negative to three plus. But on the negative side, point No. 5 that I made is the difficulty in obtaining future mortgages. Since I have written this statement, I have received a copy of a letter that I think answers some questions that were raised here yesterday by one of the Senators, who asked, what effect has this had to date on the market value of ranches? I have here a letter from one of the major insurance companies that issue ranch loans. This is a letter written to a man in Kingman, Ariz. He says:

I regret to say I will be unable to recommend the Kester Springs Ranch for a loan. I am satisfied with the physical assets of the ranch, and feel that this would even be improved under your management if conditions were to remain unchanged. However, in view of the recent BLM proposal to increase grazing fees, it appears that capitalized or equitable value to the loaner and the lender will become minor. Therefore, the company will not be able to favorably consider ranches with a large percent of the BLM land until the grazing fees are finalized—

This was dated February 28th of last year—

if the BLM fees are eventually set at a lower rate than the proposal, I will be happy to discuss loan possibilities at that time.

This is very clear evidence that there has been a serious impact on market values today, let alone what will happen when we get down to the 10th year.

Mr. Chairman, I hope I have been brief enough on this. We commend you for the patience you have shown. Our organization does not object to the amount of the fees announced for 1969. We object to the way it was done.

Thank you very much.

Senator CHURCH. Thank you for an excellent highlighting of your statement. I appreciate it very much.

(The full statement referred to follows:)

STATEMENT OF WILLIAM C. DAVIS, EXECUTIVE SECRETARY, ARIZONA CATTLE GROWERS' ASSOCIATION

Mr. Chairman and Members of the Committee: My name is William C. Davis. I am Executive Secretary of the Arizona Cattle Growers' Association. We have 1,636 members. The latest United States' Census shows 1,654 livestock operations in Arizona. There are 1,560 Bureau of Land Management and Forest Service leases and permits in Arizona, so it is easy to see that public land grazing is a vital part of the Arizona range livestock industry.

Ranchers, financial managers and knowledgeable citizens are gravely concerned over the recently announced increases in public land grazing fees; an increase based on neither law nor economics, but based rather on the fact that the United States has a near-monopoly and can thus dictate its own terms and let the devil take the hindmost.

The term "fair market value" has been coined for the first time in connection with grazing fees on public land. Because it is new in this instance we believe it should be more closely analyzed than it has been to date. In so doing two questions come immediately to mind: (1) What factors should be used to arrive at an ultimate "fair market value"? and (2) Is it (fair market value) a yardstick that can be accurately applied to grazing fees?

In response to the first question I believe we have to decide what is being sold, and under what conditions. It is forage that is being sold, and the true value of forage depends upon its price in the market. In the case of grazing this means

converting the price paid for grass into the price received for beef. Some recent studies in Arizona show that it would take only minor increases in the cost of production to make most ranches unprofitable.

One study¹ shows the cost of running one cow for one year on a typical Arizona ranch is \$82.50 before making any interest payment on land investment. This typical ranch uses a combination of Bureau of Land Management, Forest Service and State lands. Profit or loss depends to a great degree on percentage of calf crop. Parenthetically, I should add that a high percentage of marketable calves is very difficult to attain in the public land areas of Arizona because of the roughness of the country, the comparatively low carrying capacity which means widespread cattle, and a high population of predators. Under last year's level, grazing fees amounted to 5.6 percent of the cost of running a cow. Under the announced increase, at the end of ten years, fees would escalate to about 16 percent of the cost.

A second study² contains a table of Arizona cattle ranch income summaries. Ranches range in size from 34 head to 700 head, located in six different productive type areas of the state for a total of 21 representative Arizona operations. Percent of return to capital and management on these ranches varies from negative on ten ranches to as high as 5.2 percent. The three ranches with the highest return were from the western desert in years when stocker steers were pastured; however, because of a lack of regular precipitation in this area it is possible to run steers only once every four years on the average. A weighted average return would be about 1.7 percent per year in the Western Desert. The average return on investment on just the eleven ranches which had a positive return is 1.36.

A third University of Arizona study³ was conducted for our State Department of Property Valuation for property tax purposes. For this study a "synthetic" ranch of 450 animal units was created and placed in various areas of the state. Ranch size and cost of operation were developed for each location. Net profit from the 25 different models varied from \$7.23 to \$7.61 per animal unit. The state-wide average was \$1.92 per animal unit. In this study they assumed no cash return to owner as one of the costs, but they did make a \$4,800.00 per year allowance for a manager.

From these three studies, and others from around the country it can be seen that the actual market value of forage is very low. Nothing appears in the immediate or near future outlook on costs or prices that would materially increase that true value.

Other factors that were claimed to be used in arriving at a so-called fair market value were the supposed comparability and competitiveness between private and public grazing lands. To be truly competitive the supply and quality of each should be approximately equal. To be comparable the conditions of the lease should be approximately equal. In Arizona neither condition exists. In round figures we have 13 million acres of Bureau of Land Management land and 11 million acres of Forest land, as well as 9 million acres of State land, compared to an estimated 5 million acres of private range land—a ratio of more than 6 to 1. Much of the private land is irretrievably tied to public leases through commensurability requirements, further reducing the amount available for private leasing. Private land is generally of superior grazing quality, else it wouldn't have been homesteaded or otherwise acquired into private ownership. Conditions for a true supply and demand situation do not exist, unless monopolistically created.

In addition to the lack of a truly competitive situation we must also weigh into any fair market value appraisal the terms and conditions under which the forage is harvested. Just as a reminder I would like to point out some of the conditions of a public land grazing lease as compared with a normal private lease. First, of course, is the matter of multiple-use. In all the talk we have heard about "comparable lands", "realistic fees", "vested interests", etc., we seldom hear the one point that is a major key to the whole situation. That is "multiple-use". These lands are shared with a multitude of other users, both commercial and non-commercial. They are open to the public regardless of how much interference and damage is caused. They are open to everyone for every legal purpose—and often used for illegal ones. Grazing is an important one of the multiple uses, but only one of many. If you had an apartment house occupied by fifteen or twenty tenants would you ask one or two of them to pay the same price as they would if they had exclusive use of the building?

¹ "Ranch Costs," by Al Lane, Extension Livestock Specialist, University of Arizona, Tucson, Arizona, in "Arizona Cattlelog," January 1969.

² "Budgets for Livestock Ranches in Arizona and Other Western States," by William E. Martin, Professor of Agricultural Economics, University of Arizona.

³ "Ranch Budgets for Tax Study," Department of Agricultural Economics, University of Arizona, August 1965.

Another substantial difference between public and private leases is the commensurability requirement. A rancher must meet certain qualifications of ownership of base property. Even in Arizona where much of the land is on a year-long grazing rotation plan we still must meet commensurate property standards. Such conditions would seldom apply to a private lease.

The demands for rancher-financed improvements on public land have accelerated with the advent of management plans. Last week I talked with a rancher who has a Forest permit. He was given a plan which called for several improvements on his small allotment, to be financed 100 percent with his own funds because federal matching funds were not available. If he makes the improvements they immediately become the property of the federal government. If he does not conform he faces a very severe cut in preference numbers at best, or loss of his permit at worst.

Improvements today must be constructed in such a way as to enhance "public values." But as a matter of fact normal range management practices over the years have greatly enhanced the actual public values of public land; especially wild life values. Over a period of years stock numbers on public land have decreased. In Arizona, at least, the game population has been generally up—dramatically at times. The game trend is not completely unrelated to livestock management. Improvements for livestock have also benefitted game. Stock tanks, salt boxes, and feed bunkers installed by ranchers have also been used by game. Juniper control areas are favored by deer and hunters alike. Game not only uses public land and the rancher-financed improvements thereon, but also freely utilizes any and all of the forage and feed on private land in the area.

Arizona has very little live water. Rancher-developed springs, tanks, pipelines and water catchments have made usable vast areas of the state. Such watering places have been lifesavers for both men and animals in the arid country. Without the management and conservation practiced by ranchers, much of Arizona could very well become a biological desert, of little economic use, and of even less practical use for the public. Yes, public values should certainly receive more than passing credit when determining the level of grazing fees.

Testimony of other witnesses will cover the validity of including the cost of holding a permit as a legitimate and inseparable cost of doing business. I won't dwell at length on this point, but do wish to completely endorse the position taken by other livestock groups. Any analysis of the cost of operating any business must include the cost of money or the analysis will be incomplete and inaccurate. A cost item identical to the one disregarded by the government is built into the lease paid for private land—and private leases carry much weight in the governmental interpretation of what comprises cost, or fair market value.

The principle reason given for not including the annual interest on the permit value in the fee formula is that "to do so would recognize a proprietary interest in the public land".⁴ On this point I would like to raise a question and make an analogy. My question is, If the interest factor were used, what proprietary interest, or "right" would be created that doesn't already exist? A United States Department of Agriculture paper⁵ states "The studies have confirmed that grazing permits have accrued a value that the private sector buys and sells and uses for collateral". So the fact of value is recognized; at issue is what should be the amount of value and who should hold it. Inclusion or deletion of one factor in a formula won't increase or decrease "rights", it just changes monetary value. Use of the interest factor wouldn't change any terms or conditions of a lease; it wouldn't allow a rancher to run more or less cattle; it wouldn't give him any more or fewer "rights" than he now has; it wouldn't give any more nor less access and use of the land to the hunter, fisherman, rockhound or general public. Let me ask the question again, this time in a little different way: By not using the interest factor, what proprietary interest or "right" does the rancher now have that will be taken away?

Now to the analogy I mentioned. In my home city of Phoenix are a large number of radio and TV stations. All are able to operate because they have a license or permit from the federal government. They have to abide by certain rules and regulations or the permit will be revoked. Under these rules they have put the permit to use and built operations of considerable value. The value will vary depending upon many things, capital inputs, goodwill, etc., but in any case the value is considerably higher than the fee charged for the license. Bearing in

⁴ Letter dated January 13, 1969, from Under Secretary of the Interior to Honorable Wayne N. Aspinall.

⁵ "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue," submitted by U.S. Department of Agriculture, November 12, 1968.

mind that the permit had no value until it was put to use, let's assume that the Federal Communications Commission decided to set an annual fee so it would return a fair market value to the government. After all, they could reason, TV Station XYZ, for instance, wouldn't be forth a couple million dollars if they didn't hold a government permit. Therefore, according to this logic, an "equitable" annual fee would be set at a level sufficiently high to capture for the government the market value of XYZ TV, on the grounds that that value was created by virtue of the fact that the government issued the permit to broadcast! Change a few words to fit the grazing fee situation and you no longer have an analogy, but the actual case in point.

The complete economic impact of the grazing fee increase is difficult to assess. We know it would be extremely severe on the range livestock industry and local communities in the public land states. In Arizona, the out-of-pocket costs to ranchers would be just under \$2 million annually. Using a conservative generator factor of 2 this would mean an additional loss of about \$4 million to the local economy. But this kind of figuring is deceptive, because we can't determine the timetable upon which ranchers will be forced out of business. Some will go out as soon as the fees consume their profit margin. For those with the "average profit" of \$1.92 per head that would happen the second year of the ten year plan. Others will stay longer, using savings or borrowing on appreciated land values as long as possible. But these courageous souls, too, will be forced out unless market prices improve far beyond any present optimistic forecast. We have heard much lately about people with large outside incomes investing in ranches to take advantage of tax write-offs. Such investors can soon have a hey-day if the grazing fee decision is not modified.

Many references have been made to the financial institutions and their concern in this matter. One lending agency not heard from, to my knowledge is the Farmer's Home Administration. The FHA has both farm ownership and operating loans which are certain to be affected. They also have furnished an unusually high percentage of the financing for many recently organized grazing associations. These associations are formed by a group of people who go together and purchase a comparatively large ranch, or combination of ranches. Usually there is a considerable amount of both federal and private land involved. Since the portion of the purchase price which is financed is very high, the annual payments are also very near the maximum ability of the ranch. And payment schedules were based on grazing fees as anticipated under the old formula. In addition to the very real likelihood that the association members will have to default and lose their investment, we also have to realize the federal government will, by foreclosing the mortgage, take over more of our already scarce private range land. It would be interesting to know how this federal agency, the FHA, views the fee increase. They have obviously been recognizing the permit value as loan collateral.

At the beginning I expressed the belief that an analysis of fair market value should be predicated on two questions, the first of which was: "What factors should be used to arrive at an ultimate fair market value". So far I have listed several factors I believe should be used in arriving at a fair market value for public forage rather than placing major reliance on going rates for private land. These include:

- Value of forage in the market.
- Low per unit livestock returns.
- Lack of a truly competitive conditions.
- Lack of true comparability between public and private land.
- Value of multiple-use.
- Rancher financed management and conservation practices.
- Cost of money as a legitimate cost of doing business.
- "Rights" not a part of permit value.
- Government interference in business.
- Economic impact.
- Loans put in jeopardy.

No doubt there are many more that could be listed. True, these are mostly "negative values", but any honest appraisal must include negative as well as positive values if we are looking for real market value, rather than trying to justify an arbitrarily set market price.

My second question was: "Is a fair market value a yardstick that can be accurately applied to grazing fees"? The answer is probably "yes" if all values, both positive and negative, are given proper weight, and if the Congress of the United States amends the applicable laws to provide for such a yardstick.

Perhaps the use of the fair market value yardstick is too cumbersome and too subject to a variety of interpretations to be dependable over a period of time.

Up to the present time two different systems have been used to set fees. Bureau of Land Management has used 150 percent of the price per pound of cattle. The Forest Service has used a system that recognizes the difference in quality of grazing between areas, and uses market price as an annual adjustment factor. Although the Bureau of Land Management formula is more simple and does recognize that the price of beef helps determine the value of forage, we feel the Forest Service method is more equitable. It stands to reason that there is an operating cost difference between running one cow on ten acres compared to ten cows on one acre.

This difference should be reflected in any fee schedule for public land grazing.

The Arizona Cattle Growers' Association is not opposed to a reasonable increase in fees; in fact, an increase was anticipated even under the old system. We do object not only to the amount of the new fees, but to the way it was imposed. We urged our people to cooperate in the survey and the statisticians received excellent response. Yet when we tried to obtain some of the raw data it wasn't available. We honestly expected all cost items to be used, but as you know, they were not. For a change of such magnitude the least that could have been done was to hold public hearings in the areas affected. Notwithstanding all those adverse items we have tried to evaluate the plus and minus of the increase. Admitting that we aren't the best qualified party to make a completely objective evaluation, the minus still seems to far outweigh the plus. Here is our evaluation:

PLUS SIDE

1. \$18 million dollar annual increase to federal treasury (assuming no rancher goes out of business), less deduction in Number 2, below.

2. \$4.5 million to local, state and county governments (25 percent fund), less administrative costs.

3. Satisfaction for those interests that want to see public land grazing terminated.

NEGATIVE SIDE

1. \$18 million decrease in ranchers' net income, if full AUM use could be maintained.

2. \$36 million negative impact on local communities.

3. Loss of up to \$700 million in collateral base.

4. Outstanding debts on assets that no longer exist.

5. Difficulty in obtaining future mortgages.

6. Decline in rancher financed or cooperative improvements.

7. Need of federal government to bear the burden of Number 6 in some combination of:

a. Increased appropriations for resource maintenance.

b. Decreases in value of federal land due to deteriorating rangelands and watersheds.

c. Decline in level of fees collected due to loss of capacity and use.

8. Need to increase expenditures on wildlife requirements.

9. Need for more urban employment for accelerated flow of agricultural owners and workers, perhaps a "second front" in the War on Poverty.

10. Up to \$375 million loss in ranch assets.

I'm sure other persons could add several more items to each list. However, the negative so badly outweighs the plus that the need for review and change should be obvious. We respectfully urge this Committee to take the steps necessary to bring about such a change.

Mr. Chairman and members of the Committee, we commend you for calling this hearing on this most important matter. We appreciate the opportunity to have our views heard. Thank you.

Senator CHURCH. Senator Hansen has been one of the most faithful in attendance throughout the course of the hearings. I think it is time for us to call upon the Wyoming people before the lights go out. The Senator has supplied me with a list of those he has identified

in the room. They are all on the witness list, so I will call them up as he has presented them to me.

First of all, there is Mr. Joseph Burke, who is chairman of the Federal Lands Committee of the National Wool Grower's Association. He is accompanied by Mr. Ed Marsh.

Mr. Bob Bledsoe, Mr. Carl Jorgensen, and Mr. Donald Fraker.

All of you come up, please.

Senator HANSEN. Mr. Chairman, I learned a moment ago that Don Fraker had to catch a plane. He had reservations to return home.

Senator CHURCH. It is unfortunate that he did not have more time.

Senator HANSEN. I am sorry he was not able to appear. I am sure it was important. And this applies also to other people as well, those who have arranged for return transportation. I do regret, probably because I am more responsible than anyone, that we have taken so much time. I want to say that I am pleased indeed to see these gentlemen here. May I just say a word about Mr. Burke?

For the benefit of the committee, let me say that he has been a candidate for nomination for the governorship of Wyoming. He is a very distinguished citizen. He speaks from a background of firsthand knowledge and experience in this field. I am sure the members of the committee will be very much interested in his testimony.

Bob Bledsoe, the secretary of our State association, is here. He knows Wyoming, he speaks for it on many occasions.

I am pleased indeed that we have with us Ed Marsh, the secretary of the National Wool Grower's Association. We are glad to include you as a representative from Wyoming, Ed.

Last but certainly not least, Carl Jorgensen, the president of the Wyoming Stock Grower's Association is here. Mr. Jorgensen has served Wyoming in a number of capacities. He was a member and president of the Wyoming Game and Fish Commission. As I recall, he served on that commission for 8 years. I think that a review of the accomplishments of the Wyoming Game and Fish Commission will attest to the type of leadership that Mr. Jorgensen has given to the State of Wyoming. We are very pleased with what has been accomplished in the way of conservation and the mark Mr. Jorgensen made is certainly significant.

Thank you for giving me this opportunity.

Senator CHURCH. Certainly, Senator.

Gentlemen, please proceed with your statements. Any highlighting you can do will be appreciated.

STATEMENT OF M. JOSEPH BURKE, CHAIRMAN, FEDERAL LANDS COMMITTEE, NATIONAL WOOL GROWERS ASSOCIATION, ACCOMPANIED BY EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION; BOB BLEDSOE, SECRETARY OF WYOMING STATE ASSOCIATION; AND CARL JORGENSEN, PRESIDENT, WYOMING STOCKGROWER'S ASSOCIATION

Mr. BURKE. Mr. Chairman and members of the committee, my name is M. Joseph Burke. I reside in Casper, Wyo. I own and operate a ranch, raising principally lambs and wool from my flock of 6,500 breeding ewes. I also raise some cattle. I own about 1 acre of ranch property for each acre of Federal land on which I operate. The private and

Federal lands are intermingled and they are completely dependent on each other for a successful grazing operation.

I am also chairman of the Federal Lands Committee of the National Wool Growers Association and I am appearing before you today to present testimony in behalf of the members of that organization. Sitting with me today is the executive secretary of the National Wool Growers Association, Edwin E. Marsh of Salt Lake City, Utah.

The National Wool Growers Association has its principal membership in a 23-State area where 85 to 90 percent of the Nation's sheep, lambs and wool are produced. This 23-State area of our membership includes all of the Federal lands States of the West, which are the principal areas for livestock grazing on both Bureau of Land Management and national forest lands. The National Wool Growers Association was organized 104 years ago and is recognized as the spokesman for the sheep farmers and ranchers of the United States.

At our 104th annual convention held in San Francisco, Calif., on January 15 to 18 of this year, the following resolutions were unanimously adopted:

30. Grazing Fees.—The Bureau of Land Management and the U.S. Forest Service have now imposed an unreasonable and premature increase in grazing fees on Federal lands that does not take into consideration the cost of the permit itself which has a historically recognized capitalized value. This new fee schedule is to go into effect before the new Congress has an opportunity to review the changes; therefore, we request that this grazing fee increase be delayed until the new Congress shall have the privilege of reviewing the fee schedule and public hearings held in the areas affected and until the Public Land Law Review Commission has made its final report to Congress.

This protest is based upon the premise that the conclusions arrived at by the Secretaries of the Interior and Agriculture were erroneous because of the omission of some of the cost factors brought out in the cooperative 1966-67 grazing fee study, particularly the omission of the capitalization of the value of the grazing permits.

31. Permit Costs.—A comprehensive study has been made by the Bureau of Land Management and the U.S. Forest Service, in conjunction with the livestock industry to compare the cost of our operations on private lands to the cost of operating on public lands. Cost of purchase or investment costs of the permits was included in the study. The capitalization of the investment is a cost of operating on the public lands.

We request, in view of these facts, that the Bureau of Land Management and the U.S. Forest Service grazing fees be determined by including in the cost of operating on public lands, a capitalization of the value of the permits at 6 per cent.

In 1966 the livestock industry agreed to cooperate fully in a study to be conducted by the Statistical Reporting Service of the U.S. Department of Agriculture to determine the relationship between costs of grazing on Bureau of Land Management and National Forest lands and costs of grazing on comparable private leased lands. Some growers were reluctant to go into this study because of significant and somewhat irreconcilable differences in grazing by permit on Federal lands and grazing through leasing arrangements on private lands. Nevertheless, livestock growers cooperated to the fullest extent on the study, which involved 15 nonfee cost items.

Following completion of the study and as soon as the tentative results were available, they led to the inescapable conclusion that permittees grazing on Forest Service lands were already paying, on the average, at least full market value for an animal unit month (AUM) for forage. The Forest Service apparently realized that if they were going to justify an increase in the fee they would have to

change signals. The BLM apparently felt a change in signals was necessary when the tentative results of the SRS study showed that a 10 cents per AUM increase for Federal range forage would place their permittees on a parity with private lease costs on comparable lands. Apparently the Bureau of the Budget and the two Federal agencies involved wanted to study to show the justification for much higher fees for attaining what they term "fair market value."

Therefore, out of the 15 cost factors involved in the study a decision was obviously made that the capitalized value of the grazing permit as a cost factor for grazing on government lands would be eliminated as one of the cost items. Former Secretary of the Interior Udall justified the disallowance of this cost factor by equating permit value as denoting a proprietary interest in the public lands, which he said is prohibited by section 3 of the Taylor Grazing Act. Former Secretary of Agriculture Freeman said Bureau of the Budget circular A-25 would not permit including the capitalized value of the permit as a cost item although we fail to find any such restriction in the circular.

Perhaps at this point, in an effort to solve the difficulty and controversy between livestock graziers and the Federal agencies; we should define our concept of permit value. One major difference between grazing on Federal lands and leasing private lands is the fact that before any livestock producer can secure a permit to graze on Federal lands, he must qualify with definite commensurability requirements. In some cases where Federal lands are leased under section 15 of the Taylor Grazing Act, the Federal lands and the deeded lands are so intertwined and interwoven that they are completely dependent on one another and the operator may be grazing on both the year-round. A grazing permittee operating under section 3 of the Taylor Act must possess sufficient private rangeland and/or water to carry his livestock during those months of the year when the animals are not grazing on the Federal lands. He is also required to have a preference right based on prior use because generally the section 3 forage is inadequate for all users. There is no such commensurability requirement for leasing private grazing lands.

Many of the Federal lands, especially desert areas, would lie idle and would be worthless if it were not for the private ranch properties and stock water to make a year-round livestock operation possible and certainly livestock have to be fed and watered during all 12 months of the year. In order to qualify for a grazing permit on the Federal lands a livestock producer must maintain a substantial investment in his private ranch property. The investment in the ranch property is a cost the livestock producer must bear to secure the permit. The Federal grazing lands and the private ranchlands form an economic unit and are inseparable. In most cases, either would be worthless without the other.

The private grazing land lessee, on the other hand, is not required to invest funds in lands containing these special attributes or values. His costs of doing business are, to that extent, less than his costs would be if he sought to qualify for a permit to graze on the Federal lands.

It is simply inconceivable for the Federal agencies to try to justify eliminating as a cost factor in grazing on Federal lands, the required investment in ranch property and/or water—the commensurability requirement set forth in the Taylor Grazing Act. We are not seeking a

vested interest in the Federal lands, but the Taylor act itself established permit and lease values when it established commensurability requirements, or adjacent land requirements, to make a rancher eligible for preference to a permit or a lease. While it is not a right to land, it is a right to a preference and it is a privilege accorded those who qualify through commensurability. It is the commensurability factor that gives a permit or lease a value that is a cost which must be recognized.

Sheepmen and cattlemen cooperated in the SRS study with the understanding that Federal agencies would also operate in good faith and determine fees on the basis of a comparison of all costs involved. If the term permit value is confusing, then let's give it another connotation but certainly it should be considered as the special qualities or attributes of commensurability inherent in the underlying base property (land or water) on which the grazing permittee has a substantial investment and on which he pays taxes.

And, speaking of taxes, we understand the Internal Revenue Service has recognized the investment in permit values as a business cost. Also, the Internal Revenue Service has long insisted that Federal grazing permits and leases have a value and they have imposed tax assessments against these values in taxing of estates. In fact, we believe the State of California now taxes the possessory interest in Federal grazing permits.

The dollar market value of the permit has also been recognized by the Department of Defense in the Engle Act of 1942 by ranchers being paid the market value of their permits by the Federal Government, under certain specific statutes, when reclamation and similar projects have changed land use; and by many agricultural lending institutions throughout the United States loaning money to sheep and cattle ranches.

Mr. J. Stanley Peters, secretary-treasurer, Utah Livestock Production Credit Association, Salt Lake City, when asked if his institution considers grazing permits as having value when considering loans, made the following statement:

In considering applications for operating loans to sheepmen and cattlemen, we always use a financial statement as one of the chief considerations in approval of the loan. The financial statement always lists Taylor Grazing and Forest permits as important assets. We usually take waivers on Forest permits as additional collateral to loans.

For many years the Federal Land Bank and other lending agencies have had assurances that permits or leases would not be disturbed during the lifetime of the loans made on the commensurate base property. In fact, in a November 12, 1968, compendium sent to us by the Department of Agriculture and entitled, "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue," the Department itself recognizes that grazing permits have a dollar market value. I quote from "U.S. Forest Service Grazing Fees Program" contained in this compendium:

Since Forest Service grazing permits have acquired value over time in competitive grazing markets, and since most permittees have paid the market price for them, an increase in fees to recover grazing values for the Government would result in both income and capital losses for permittees. Fee increases would also have an adverse effect on the income of local economies and, consequently, on Forest Service and departmental rural area development programs.

The Department of Agriculture recognizes the permit value and also recognizes the economic impact which the fee increase and the ultimate amortization of the permit value will have on individual ranchers and local rural economies. What is their proposal to cushion this economic impact? Again I quote from the November 12, 1968 compendium:

Increased in-put of Federal dollars for conservation, development and utilization of National Forest system ranges where economic and social problems exist. (These funds would provide jobs, additional grazing and better resource conservation and stewardship.)

The fee increase is to secure more money for the Federal Treasury and the Department of Agriculture then proposes to take money out of the same Federal Treasury to cushion the economic impact on individual ranchers and local rural economies. To us, this is poor economics. In fact, it doesn't make much sense.

It was indicated by the Department of the Interior during the 1963 grazing fee hearings that the fee-fixing activities of the Secretary of the Interior are also governed by the provisions of title V, act of August 31, 1951 (65 Stat. 290). However, there is a saving clause in this statute, which states:

That nothing contained in this title shall repeal or modify existing statutes prescribing bases for calculation of any fee, charge or price, but this proviso shall not restrict the redetermination or recalculation in accordance with the prescribed bases of the amount of any such fee, charge or price.

This clause protects and continues "existing statutes prescribing bases for calculation of any fee, charge or price. . . ." It is our contention that section 3 of the Taylor Act prescribes, within the meaning of the foregoing saving clause, the basis for calculation of the grazing fee, charge or price; namely, "reasonable fees" to be fixed or determined by the Secretary after taking into account "the extent to which such districts yield public benefits" over and above those accruing to the forage users.

Nor can it be argued that the fee increase imposed is merely a "redetermination or recalculation in accordance with the prescribed bases," and thus excluded from the saving clause protection of this proviso. This is so because the Secretary of the Interior has clearly demonstrated that in the new fee increase imposed, he has abandoned the prescribed "reasonable fee" standard of section 3 of the Taylor Act and has adopted instead an entirely different basis for fee calculation; namely, the "fair market value" standard of Circular A-25.

While we believe in paying fair market value for forage resources if that value is arrived at in a fair and reasonable manner, we contend that the increased grazing fee imposed by the former Secretary of the Interior, establishing a fee which is purported to be based on a "fair market value" standard, and not taking into account all of the cost factors in the SRS study, does not reflect fair market value, is improper and invalid and contrary to the "reasonable fee" limitations and provisos of section 3 of the Taylor Act.

Furthermore, the special grazing fee committee of the National Advisory Board Council unanimously recommended to the former Secretary of the Interior that the capitalized value of the grazing permit be given recognition for the purposes of the 1966 SRS cost study and that the resulting fee basis take this into full consideration. This rec-

ommendation was made at a December 1968 meeting of the council in San Francisco, and Secretary Udall rejected it even though the council is composed not only of grazing interests but other principal user groups as well, including wildlife.

If this improperly arrived at "fair market value" policy for fixing of grazing fees remains in effect, then we question seriously whether anywhere near a worthwhile use can continue to be made of the Federal lands for grazing, especially in the vast, generally desert-like regions of the western public lands States.

In these desert-like regions, the grazing resources usually consist of livestock ranch lands, irrigation and stockwaters, generally private-enterprise controlled, and the forage crops of the Bureau of Land Management and Forest Service grazing lands, federally controlled. It has long been demonstrated that if these private and public grazing resources are to be utilized in a worthwhile manner in anyone's interest, they must be utilized together by stockmen and their livestock herds.

The key which determines whether this can be done lies in the hands of those Federal agency officials in charge of fixing the rates at which the Government forage crop resource values are to be used. If the rates are held at levels within the reasonable ability of the stockmen to pay, then and only then can these resource values be utilized by being turned into such things as food and fiber, negotiable funds, et cetera, to pass beneficially from hand to hand.

If on the other hand the grazing fee rates are not held at such levels, the forage resources of these vast desert-like regions cannot be recovered at all and many of these areas will become idle wastelands.

The new grazing fee rate fixing policy of the Bureau of the Budget calls for these rates to be fixed without regard to the value of the grazing privileges concerned to the recipients, the result being that the rates being fixed in line with this new policy are not being held at levels which the recipient can afford to pay, but at rates far beyond that point. Such a policy can only result in these out-of-the-ordinary forage resources of the desert-like regions no longer being available for worthwhile recovery for beneficial, economic use by anybody at all.

In section 6 of Bureau of the Budget circular A-25, Government agencies are directed, in any case where collection of fee charge rates for Federal Government services or property as called for by this circular happen to be limited or restricted by existing law, to submit to the Bureau of the Budget "appropriate remedial legislative proposals." We are wondering if the Bureau of the Budget officials have in mind starting in with livestock forage crop resource values of the Federal lands, following up by cashing in to the limit likewise on all of the other various resources situated on these lands; for example, water for irrigation and municipal power, timber, minerals, fish and game, recreation, et cetera. If this is the plan, why shouldn't this fact be brought out in the open beforehand? If it isn't the plan, why are they moving in that direction in the case of livestock forage crop resources of the western public lands States?

SUMMARY

Sheepmen and cattlemen cooperated in the SRS study and agreed to abide by the outcome of that study if all cost factors were used in comparing grazing costs on public versus comparable private leased lands, including the cost factor of the capitalized value of the grazing permit. As previously stated, the special grazing fee committee of the National Advisory Board Council also recommended unanimously in December 1968, that this cost factor be included. If fees had been set on this basis, then we would agree that they were reasonable, as required by the statute governing the setting of grazing fees; namely, the Taylor Grazing Act. By the same token, if fees had been set on the above basis, we would also agree that they reflect fair market value.

I have as an exhibit at the end of this statement, which I will not read because it is too long, entitled, "Economic Impact of a Rise in Federal Grazing Fees." It concerns the people in the sheep business of Wyoming. This was prepared by the division of Agricultural Economics, University of Wyoming. I should like to summarize very briefly what is in this exhibit, because I think it will show exactly what will happen in the next few years if these grazing fees are allowed to continue to be imposed.

Recent Federal Government studies show that BLM and Forest Service graziers are realizing a net return on their investment of only 2 to 2½ percent, and even less. In fact, my own State of Wyoming is one where the return is even less. A 1968 return on investment on sheep ranches of Wyoming was only 1.28 percent. This is shown in exhibit A, attached. Using the cost and income figures for 1968, and considering the fee rise, this 1.28-percent return on investment would be lower 5 years from now, in 1973, when less than one-half of the announced grazing fee increase is scheduled to be in effect. The grazing fee increase due by 1973 would lower the rate of return on investment of Wyoming sheep ranches from 1.28 percent to 1.03. On page 5 of exhibit A attached, the following statement is made: If one were to prepare a budget for 1978, when 100 percent of all the fee increase is in effect, and if one were to assume that income and all costs except Federal grazing fees are constant, the result would be more than double what they have shown by the 1973 budget. In other words, if the rate of return to owner's equity was 1.03 percent for the State of Wyoming in 1973, in 1978, this percent of return on owner's investment would be 0.65 percent. In southwestern Wyoming, where there are large acreages of BLM lands, it would be even less.

Wyoming has the largest sheep population of any of the Federal lands grazing States and sheep production in Wyoming is typical of production in many areas of the West. The economic study set forth in exhibit A certainly indicates that the new fee schedule implemented by the two former Secretaries is beyond the ability of the graziers to pay.

Furthermore, we maintain that the policy laid down by the Bureau of the Budget for determining charges for Government resources is not applicable, at least in the case of forage resources on BLM lands. The reasonable fee provision of the Taylor Grazing Act is still applicable.

In view of the economic impact that this fee increase will have not only on livestock permittees grazing on Federal lands but also on many communities in the western public lands states whose economy is dependent primarily on the livestock industry—the industry that provides the taxes to build roads, schools, and other necessities—we strongly urge that the Secretaries of Agriculture and the Interior rescind the fee increase and hold it in abeyance pending congressional investigation and also pending completion of the grazing fee study now under way by the Public Land Law Review Commission.

Thank you, Mr. Chairman.

(Exhibit A follows:)

EXHIBIT "A"

ECONOMIC IMPACT OF A RISE IN FEDERAL GRAZING FEES

(An Analysis for Wyoming Sheep Industry Prepared by Division of Agricultural Economics, University of Wyoming)

INTRODUCTION

The basic data for this report are taken largely from Bulletin 444 published in 1966 entitled, *Sheep Industry in Wyoming—An Economic Analysis*. Approximately 42 percent of Wyoming's 1.8 million sheep are located in southwestern Wyoming with 29 percent each in north central and northeastern Wyoming. In southwestern Wyoming, capital investments per sheep are relatively low due to the large amount of land owned by the Union Pacific Railroad and also the large amount of BLM land which is available. The sheep are wintered on the desert and are moved to the foothills in the fall and in the spring where the ewes are lambled on the range. Most bands of sheep spend 2 to 2½ months on the National Forest. The desert climate is rigorous, death loss is high, percent lamb crop is low and earnings per head are very low for the largest segment of Wyoming's sheep industry. In north central Wyoming operations are similar to the southwest area except that there is more feed available due to the proximity of good irrigated land. An operator with several bands may lamb out early one or more bands in the sheds. This involves more cost and income per head and may result in higher earnings than in other areas.

In northeastern Wyoming all range sheep are run under fence and the investment per head is high in comparison to other areas because there is little BLM and no National Forest land available for use. In other words, the operator must own nearly all of the land which he uses. In this area the labor costs are less, but the investment costs are very high due to investment in fencing and land ownership.

The 1964 study reported in Bulletin 444 shows that for the northcentral area the return to owner's equity was \$1.50 per head. The owner's equity was \$85.08 per head and this gives a return of 1.76 percent. Similarly the percent return on owner's equity for the northeastern area was 1.12 percent and for southwestern area .3 percent giving a weighed average of 1.06 percent return for the average dollar invested by the operator in the Wyoming sheep business in 1964.

1968 BUDGET

Using the 1964 data as a base, budgets were prepared for the year 1968 by updating the annual operating costs shown in Bulletin 444 and by updating the investment requirements per head which resulted from increased land values. The percent lamb crop for Wyoming was higher in 1968 and prices received for the lambs and wool sold were also higher. Despite increased costs of production the average return on the owner's investment in 1968 was 1.28 percent for the state of Wyoming.

Table 1 shows the capital investment and other inputs per head for the three range sheep areas of Wyoming and for the entire state. For the state of Wyoming, the investment was \$109.94 per head with a mortgage debt on the land of \$25.84 leaving owner's equity of \$84.10 per head. The average rancher owned 76 percent of the investment and had an average of 5,577 sheep per ranch. Other physical inputs per head included 4.80 acres of owned land, 2.22 acres of leased

land, .53 AUM's of BLM land, .08 AUM's of National Forests. The feed for the typical sheep ranch in Wyoming came from the following sources: 6.20 months from owned land, 2.35 months from rented land, 2.65 months from BLM land, .40 months from the National Forest and .40 months from purchased feed. The average rancher received about 88 percent lamb crop of 78 pound lambs. After withholding ewe lambs for replacements, the pounds of lambs sold per head were 41.2 pounds at \$21.10 per cwt; 12.7 pounds of old ewe at \$5.60 per cwt; and 10.2 pounds of wool at \$.65 per pound.

The value of the BLM grazing permits on a perhead basis was arrived at by multiplying the .53 AUM's by a value of \$14.41 per AUM, which is the value reported in the BLM grazing fee study. For the National Forest permit value was determined by multiplying .08 AUM's by the value of \$17.29 per AUM. The coefficients, .53 AUM's and .08 AUM's were the findings of our 1964 sheep study. Similar data are shown in Table 1 for all three range areas of Wyoming. The figures for the entire state were arrived at by weighing the three range areas according to the percentage of sheep found in each area.

The costs, returns and earnings per head of sheep for the three areas in Wyoming and for the entire state are presented in Table 2. The components of annual operating costs were taken from the 1964 study and were updated to show costs in 1968. The interest on operating loan represents the annual payment made for borrowed operating capital. The interest on mortgage debt refers to the interest the operator paid on the land mortgages against the ranch. The ram costs represent the cost of purchasing new rams each year less the sale value of those rams which are worn out and sold. A wage of \$5,000 per year was charged for the operator's labor.

The total operating cost for the state of Wyoming was \$14.95 per head. With an income per head of \$16.03 this leaves a return to the owner's equity of \$1.08. The owner's equity for 1968 was \$84.10 and this divided into the return of \$1.08 represents a rate of return of 1.28%. Similar data for each range sheep area of Wyoming are shown in the first three columns of Table 2.

IMPACT ON RANCHES OF FEDERAL FEE RISE

Holding all costs and income constant, a budget was made for 1973 or five years after the rise in Federal grazing fees. It was assumed that the BLM fee would be increased by 136 percent, or from 33¢ per AUM to 78¢ per AUM. For the state of Wyoming this means BLM fees per head in 1973 would be 42¢, or an increase of 24¢ per head of sheep. Likewise the forest fee would be increased by 28 percent, an increase of 2¢ per head of sheep in 1973. All other costs and income are assumed as constant. With these increases in grazing fees, the return to owner's equity of \$1.08 in 1968 was reduced to \$.82 per head in 1973. However, the owner's equity of \$84.10 in 1968 was reduced to \$79.61 per head in 1973 due to the decapitalized value (assumed to be 50%) of the Federal grazing permit values. The earnings of \$.82 per head in 1973 on an investment of \$79.61 is a return of 1.03% for the state of Wyoming.

FEDERAL FEE RISE IMPACT ON STATE OF WYOMING

The increased costs to Wyoming sheep ranchers in 1973 of the proposed fee increases amount to a total of \$418,543 (see bottom, Table 2). The BLM fee increase of 24¢ per head times 1,675,256 head of sheep in Wyoming which used BLM land, represents an increase of \$402,061. The remaining \$16,482 comes from a 2¢ increase in Forest fees for 824,095 sheep in Wyoming which used the National Forests.

In the 1973 budget, the decapitalized value of the Federal grazing permit would cause a loss in capital value of \$9,945,152 (see bottom of Table 1). This is arrived at by multiplying the AUM's on BLM land by \$7.22 and the number of AUM's on National Forest by \$8.64. These two figures represent the value of an AUM of grazing as reported by the BLM grazing fee study.

SUMMARY

The foregoing analysis shows something of the economic impact of a rise in grazing fees of 136 percent and 28 percent respectively for BLM and National Forests on the sheep industry of the state of Wyoming. For 1966, Wyoming was assigned 2.8 million animal unit months on the Federal range: 1.5 million of this was for cattle and 1.3 million for sheep. The analysis of the sheep industry

represents only about 47 percent of the total impact of the rise in grazing fees on the state of Wyoming. The other 53 percent would be shown if a similar analysis were made on the cattle industry in the state of Wyoming.

It has been shown that each dollar of income to the sheep industry generates approximately \$1.31 of additional commercial businesses.¹ Therefore, each dollar is valued at approximately \$2.31 when the primary and secondary benefits are considered. The increased costs of the rise in Federal grazing fees to the sheep industry amounts to approximately \$419,000. When this is increased by 2.31 fold, the impact on the economy of the state is nearly one million dollars ($\$419,000 \times 2.31 = \$967,890$). It would be more than double this amount if one were considering both the cattle and sheep industry.

The 1973 budget presented herein has assumed that less than one-half of the rise in Federal grazing fees will take place by 1973. If one were to prepare a budget for 1978 when 100 percent of the fee increase is in effect, and if one were to assume that income and all costs except Federal grazing as constant, the results would be more than double what they have been shown by the 1973 budget. In other words, the rate of return to owner's equity was 1.03 percent for the state of Wyoming in 1973. In 1978 this percent return on owner's investment would be .65 percent.

In addition to the direct effects of the increase in Federal grazing fees, other indirect effects would likely occur. For example, the Union Pacific Railroad which owns a large part of the grazing land in southwestern Wyoming would likely increase grazing fees. State-owned lands and private owners who rent grazing land to sheepmen in Wyoming would likely increase their rental rates.

A decline in the capitalized value of the Federal grazing permits has an adverse effect on the net worth of the individual rancher. The average sheepman in Wyoming in 1968 owned only about 76 percent on the total ranch investment, whereas the average agricultural producer throughout the U.S. owned approximately 82 percent. With a decline in the value of Federal permits, he would own even less of the total investment and as such would find it more and more difficult to borrow money to finance annual operating costs. The sheepman at the present time is able to stay in business partially through the increased value in grazing land values. The banker recognizes this increase in land value and permits the individual operator to borrow against this rise in land values. As a result, instead of gaining in net worth, through the years the average sheep rancher in Wyoming is suffering a loss in net worth. The smaller, less efficient operator will be very adversely influenced by the rise in grazing fees. This small rise in his annual operating expenses per head will be sufficient in many instances to cause a failure of his sheep business.

¹ The Economic Value of Wyoming Sheep and Wool Industry to Wyoming's Economy, by Glenn P. Roehrkaase, Mimeo Circular No. 168, Division of Agricultural Economics, Agr. Exp. Sta., University of Wyoming, April 1962.

TABLE 1.—CAPITAL INVESTMENT AND OTHER INPUTS PER HEAD (FEDERAL GRAZING FEE RISE IMPACT STUDY: BUDGET FOR 1968 WYOMING)

| | Area of Wyoming | | | All Wyoming |
|--------------------------------------|-----------------|---------------|---------------|-------------|
| | North-central | North-eastern | South-western | |
| Capital investment (per head): | | | | |
| Deeded land..... | \$65.21 | \$94.46 | \$45.76 | \$65.52 |
| Buildings & improvements..... | 9.00 | 12.68 | 5.80 | 8.72 |
| BLM permit ¹ | 8.21 | 3.75 | 9.80 | 7.58 |
| NF permit ² | 2.76 | 0 | 1.38 | 1.40 |
| Power and machinery..... | 5.93 | 5.07 | 3.84 | 4.80 |
| Livestock..... | 20.30 | 19.56 | 20.43 | 20.14 |
| Feeds and supplies..... | 1.74 | .96 | 2.38 | 1.78 |
| Total..... | 113.15 | 136.48 | 89.39 | 109.94 |
| Mortgage debt..... | 21.15 | 26.98 | 28.29 | 25.84 |
| Owner's equity..... | 92.00 | 109.50 | 61.10 | 84.10 |
| Percent owner's equity..... | 81 | 80 | 68 | 76 |
| Number of sheep per ranch..... | 3,776 | 3,948 | 7,946 | 5,577 |
| Other inputs (per head): | | | | |
| Acres owned land..... | 3.02 | 4.50 | 6.25 | 4.80 |
| Acres leased land..... | .75 | 1.85 | 3.50 | 2.22 |
| AUM's (BLM)..... | .57 | .26 | .68 | .53 |
| AUM's (NF)..... | .16 | 0 | .08 | .08 |
| Months of feed from: | | | | |
| Owned land..... | 6.35 | 7.35 | 5.35 | 6.20 |
| Rented land..... | 1.50 | 3.00 | 2.50 | 2.35 |
| BLM, AUM's..... | 2.85 | 1.30 | 3.40 | 2.65 |
| NF, AUM's..... | .80 | 0 | .40 | .40 |
| Purchased feed..... | .50 | .35 | .35 | .40 |
| Percent lamb crop..... | 95 | 85 | 83 | 88 |
| Average weight of lamb (pounds)..... | 80.0 | 72.0 | 80.0 | 78.0 |
| Pounds sold per head: | | | | |
| Lamb..... | 50.5 | 35.2 | 38.9 | 41.2 |
| Ewe..... | 13.1 | 12.0 | 12.9 | 12.7 |
| Wool..... | 10.0 | 9.9 | 10.5 | 10.2 |
| Average price: | | | | |
| Lambs (per hundredweight)..... | \$21.10 | \$21.10 | \$21.10 | \$21.10 |
| Ewes (per hundredweight)..... | \$5.50 | \$5.50 | \$5.75 | \$5.60 |
| Wool (per pound)..... | \$.65 | \$.67 | \$.64 | \$.65 |

¹ Based on a value of \$14.41 per AUM as reported by BLM grazing fee study.

² Based on a value of \$17.29 per AUM as reported by U.S. Forest Service study.

Note: 1973 budget: Loss in value of Federal grazing permits to Wyoming sheepmen—BLM permit \$8,500,000 (1,180,210 AUM's times $\frac{1}{2}$ of \$14.41 per AUM); NF permit \$1,400,000 (164,819 AUM's times $\frac{1}{2}$ of \$17.29 per AUM).

TABLE 2.—COSTS, RETURNS, AND EARNINGS PER HEAD OF SHEEP
(Federal grazing fee rise impact study: Budget for 1968, Wyoming)

| Components of cost | Area of Wyoming | | | All Wyoming |
|--|-----------------|---------------|---------------|-------------|
| | North-central | North-eastern | South-western | |
| Hired labor..... | \$4.34 | \$2.30 | \$4.68 | \$3.89 |
| Feed purchased..... | 2.12 | 1.37 | 1.27 | 1.55 |
| Land leases..... | .60 | .75 | .70 | .69 |
| BLM fees..... | .19 | .09 | .22 | .18 |
| National forest fees..... | .10 | | .07 | .06 |
| Shearing..... | .59 | .57 | .71 | .63 |
| Fuel and repairs..... | 1.35 | 1.27 | 1.05 | 1.20 |
| Taxes..... | 1.76 | 1.75 | .74 | .75 |
| Depreciation..... | 1.12 | 1.35 | .70 | 1.01 |
| Interest on operating loan..... | .50 | .34 | .40 | .41 |
| Interest on mortgage debt..... | 1.16 | 1.45 | 1.52 | 1.40 |
| Ram cost..... | .55 | .48 | .52 | .52 |
| Operator's labor..... | 1.32 | 1.27 | .63 | .99 |
| All other operating costs..... | 1.86 | 1.42 | 1.70 | 1.67 |
| Total cost ¹ | 16.56 | 13.41 | 14.91 | 14.95 |
| Returns from: | | | | |
| Wool..... | 6.50 | 6.63 | 6.72 | 6.63 |
| Lambs..... | 10.66 | 7.42 | 8.20 | 8.69 |
| Ewes..... | .72 | .66 | .75 | .71 |
| Total income..... | 17.88 | 14.71 | 15.67 | 16.03 |
| Total operating costs..... | 16.56 | 13.41 | 14.91 | 14.95 |
| Return to owner's equity..... | 1.32 | 1.30 | .76 | 1.08 |
| Rate of return to owner's equity (percent)..... | 1.43 | 1.19 | 1.24 | 1.28 |
| Owner's equity (per head, 1968)..... | \$92.00 | \$109.50 | \$61.10 | \$84.10 |
| Owner's equity (per head, 1973)..... | \$66.52 | \$107.62 | \$55.51 | \$79.61 |
| 1973 budget: | | | | |
| BLM fee (\$0.33 to \$0.78=136 percent)..... | \$0.26 | \$0.12 | \$0.30 | \$0.24 |
| Forest fee (\$0.15 to \$0.19=28 percent)..... | \$0.03 | | \$0.02 | \$0.02 |
| Return to owner's equity (1973)..... | \$1.03 | \$1.18 | \$0.44 | \$0.82 |
| Rate of return to owner's equity (1973) (percent)..... | 1.19 | 1.10 | .79 | 1.03 |
| Increased cost to Wyoming ranchers in 1973 with Federal fee increases: | | | | |
| BLM fees \$0.24 x 1,675,256=..... | | | | \$402,061 |
| Forest fees \$0.02 x 824,095=..... | | | | 16,482 |
| Total..... | | | | 418,543 |

¹ Does not include interest imputed on owner's capital.

Senator CHURCH. Thank you very much. I am going to defer to Senator Hansen here, because he has a Wyoming group of constituents. I want him to handle the questioning.

Senator HANSEN. Thank you, Mr. Chairman. I do not have any questions. I certainly do endorse the statement that Mr. Burke has made. It is factual. It goes deeply into the questions that are at issue here and I am certain that it will be most instructive and informative.

I compliment you for your fine statement.

Mr. BURKE. Thank you, sir.

Senator CHURCH. Is there anything further any of you gentlemen want to ask?

Mr. MARSH. Mr. Chairman, I deferred all my time to Mr. Burke.

Mr. BLEDSOE. I would like to speak briefly on the position of the Wyoming Wool Growers Association.

My name is Robert Bledsoe and I am executive secretary of the Wyoming Wool Growers Association, with offices in Casper, Wyo.

The Wyoming Wool Growers Association for the past 65 years has served as spokesman for the lamb and wool producers in the Nation's second largest sheep-producing State, Wyoming.

Since November 15, 1968, the main dialog between the sheepmen of Wyoming, except for a few comments about the weather, has been the increase of grazing fees on public lands, by the retiring Secretaries of Interior and Agriculture.

The unprecedented announcement to raise grazing fees 250 percent on U.S. Forest Service lands, and 400 percent on Bureau of Land Management administered lands during the next 10 years is of grave concern to Wyoming sheepmen.

Approximately 70 percent of Wyoming's sheep population, which numbers 1.8 million head, depend upon the Federal lands in Wyoming for forage. Sheepmen in Wyoming are willing to pay a fair and equitable fee for the use of the forage on Federal lands, but they cannot have the cost of their operations increased by 250 and 400 percent, respectively, and stay in business.

The division of agricultural economics, University of Wyoming, Laramie, is recognized throughout the United States as having the most accurate and complete cost studies of the sheep industry.

A very recent report issued by this division of the University of Wyoming, entitled the "Economic Impact of a Rise in Federal Grazing Fees on Wyoming's Sheep Industry," very vividly points out the financial position of Wyoming's sheepmen if the grazing fee hike and disregard of the capitalized permit value is implemented over the next 10 years.

(Tables I and II are a part of exhibit A preceding.)

Briefly, the University of Wyoming study concludes that the total operating costs per head of sheep in Wyoming was \$14.95 for the year just ended, 1968. The income per head for 1968 was \$16.03, which leaves a return to the owner's equity of \$1.08 per head, and represents a rate of return of 1.28 percent. I believe that most of you will agree that 1.28-percent return on investment is rather poor, especially when a 5-to 6-percent return can be achieved through most financial institutions.

However, ranching is a way of life. It has in the past provided a good living for the rancher and his family. He has had an independence that could not be enjoyed in other occupations, so consequently

has attempted to hold the ranch together, even though moneywise he probably could have been more successful elsewhere.

Now, let's continue from the study to see what the return will be in 1973 and 1978, 5 and 10 years respectively, if the full fee increase is implemented on BLM lands. In 1973 the earnings per head would be 82 cents, if all costs and income remain constant, except for the increase in grazing fees. The percentage of return on owner's investment would then be 1.03 percent. By 1978 when 100 percent of fee increase is in effect on BLM lands, and still assuming that income and all costs except Federal grazing fees remain constant, the percent return to owner's investment would be less than 1 percent—it would be 0.65 percent.

Remember, the return was 1.28 percent in 1968, and in 1978 the grazing fee increase, if fully implemented and the capitalized permit value disregarded, would cut the return approximately one-half, or down to 0.65 percent.

Now, I believe you can appreciate more fully my earlier statement, when I said that the grazing fee increase and nonrecognition of the permit value as a cost of doing business, is of grave concern to the sheepmen in Wyoming. There certainly would not be much incentive to continue to operate a sheep ranch in Wyoming if the already small return on investment is cut in half, because of an increase in the cost of operation, the use of forage.

The Federal land agencies have completely ignored the recognition to the dollar market value of the grazing permit as an annual cost of doing business, which will have a most adverse effect on the net worth of the individual rancher. The average sheepman in Wyoming in 1968 owned only about 76 percent of the total ranch investment; whereas, the average agricultural producer throughout the United States owned approximately 82 percent. With a decline in the value of Federal permits, he would own even less of the total investment and, as such, would find it more and more difficult to borrow money to finance annual operating costs.

The sheepman at the present time is able to stay in business partially through the increased value in grazing land values. The banker recognizes this increase in land value and permits the individual operator to borrow against this rise in land values. As a result, instead of gaining in net worth, through the years the average sheep rancher in Wyoming is suffering a loss in net worth.

The asset value of the grazing fee permits in Wyoming is slightly more than \$43 million. It has been estimated that the fee increase will cut this in half. The resulting loss is estimated at slightly more than \$21 million.

Wyoming is a rural State, highly dependent on the livestock industry for much of its economy. The only way to keep the economy stable and work for its growth is to fully use the forage grown on the Federal lands in the State, by livestock, at a fair and equitable value.

Livestock operators in Wyoming are highly dependent on the Federal lands for forage for their livestock because over 50 percent of Wyoming's land surface is owned by the U.S. Government. If livestock are removed from the Federal lands, because livestock operators are unable to pay the increased grazing fees and because of nonrecognition of permit value, Wyoming will be deprived of thousands of dollars of tax money.

According to the Wyoming Data Book, 1967, published by the Division of Business and Economic Research, University of Wyoming, property taxes paid by farmers and ranchers in Wyoming now take 16.4 percent of their net income, while all Wyoming citizens paid 7.2 percent of their net income for property taxes.

In summation, the Wyoming Wool Growers Association, speaking for the sheepmen in the State, registers its opposition to the increased grazing fee and the nonrecognition of the capitalization of the value of the permits as a cost of running sheep on the public lands, for the following reasons:

1. Wyoming has the largest total permitted AUM's of any State, in fact, 13.1 percent of the Nation's total, consequently a 250- and 400-percent increase cost of using these AUM's would have a tremendous devastating impact on the economy of the communities and the State.

2. The Departments of Agriculture and Interior have completely disregarded the capitalized permit value factor as a legitimate cost of doing business.

3. Livestock are now receiving only 76 percent of parity. The grazing fee increase and disregard of the capitalized permit value factor will further depress these basic industries.

4. The Public Land Law Review Commission has, as a part of their work, a thorough study of grazing fees which should be considered in determining the fee structure for grazing on public lands.

5. If additional revenue from the Federal lands is of paramount concern to the Federal agencies administering these lands and the Bureau of the Budget, then all public land users should pay their fair share for the use of them.

The preamble of the Taylor Grazing Act sets out as one of its objectives, " * * * to stabilize the livestock industry dependent upon the public range."

How can the Department of the Interior justify a 400-percent increase in grazing fees and the complete disregard of the capitalized permit value in light of this section of the preamble?

Therefore, the Wyoming Wool Growers Association respectfully requests that the grazing fee increase on Federal lands be held in abeyance pending a complete congressional investigation to determine why these Government bureaus, in the closing moments of their tenure in office, have arbitrarily ignored the true facts of the grazing fee studies and preempted the work of the Public Land Law Review Commission, to heap upon the heads of the livestock operators costs that will run them out of business.

Thank you, Mr. Chairman and members of the committee.

Mr. JORGENSEN. Mr. Chairman, members of the committee, I am Carl Jorgensen, president of the Wyoming Stock Growers Association.

On behalf of the membership of the Wyoming Stock Growers Association, a voluntary livestock organization of more than 2,500 Wyoming ranchers, it is necessary for me to take strong exception to the adjustment of grazing fees on national forests and public lands as proposed by the Secretary of Agriculture and the Secretary of the Interior in December 1968.

Wyoming livestock operators are using 13.1 percent of the total 21,440,031 AUM's provided by the public lands in the United States.

This is the largest percentage of AUM's that is allocated to permittees from any State in the Union, so it rightfully follows that Wyoming's livestock industry is the most affected by this proposal.

This proposal would bring about a serious economic threat to the general economy of the State of Wyoming because agriculture is the second largest industry within our State. In view of the fact that the current market price for livestock is running about 76 percent of parity, it is easy to see that the proposed fee increases can only add to the spiraling cost of production of these meat animals, and will further depress these basic industries which are so vital to Wyoming's overall economy.

Generally speaking, the prices received for live cattle at the markets are now just about the same as they were in the year 1948. This simply means that the rancher has had very little or no increase in his gross income from grazing livestock for more than 20 years.

Now, needless to say, his costs of producing this beef have gone up by leaps and bounds during the last 20 years, and here the Federal Government is proposing enormous increases to his costs of production through increased grazing fees. As is usually the case, if these fees are implemented, the very large rancher that is dependent upon public lands for a portion of the year's grazing, will be the one that is forced out of business because of increased costs. Abandoned ranches contribute little or nothing to either the regional business or local tax base, and will adversely affect the economy of many communities as well as entire counties of some of our Western States that depend heavily upon sheep and cattle production for taxes to build roads, schools, and other local needs.

Yet the cost of producing beef has gone up by leaps and bounds. Continuation of this drastic cost-price squeeze will force liquidation upon many of our ranchers. Such continued liquidation will adversely affect the economy of our local communities.

The association is also deeply concerned that the survey conducted by the Statistical Reporting Service has been apparently disregarded in connection with the capitalized value of the grazing permit. It is our opinion that the dollar value of the livestock grazing permit, like land, is a rancher-owned asset that is not depreciable, but rather was paid for when the base lands were purchased or acquired.

If the present proposed grazing fee is implemented over the entire 10-year period, the immediate drastic effect will be to decrease the market value of the total ranch asset by as much as 50 percent. This in turn will force many agricultural lending institutions to recall outstanding livestock land loans with the net result of forcing these same livestock operators out of business.

In my contacts with stockmen, discussing the proposed grazing fees that are now being implemented, I have found that the method and formula used by the Statistical Reporting Service failed, at least in part, to take into consideration the breeding cost on public land as compared to private land. Our research shows that there is a difference of from \$15 to \$20 per calf in breeding costs on public land as compared to private.

When the percentage of calf crop is figured as 70 percent or less on public lands, as compared to 90 percent or more on private lands, that is.

In addition to these increased cost factors, I am concerned that one reason that private leases rose so rapidly in the early 1960's was due to the fact of the greatly increased demand for private pasture leases because of the drastic reductions or suspended use of Bureau of Land Management permits that were imposed upon permittees immediately prior to the time the survey was taken.

I would like to inject a paragraph on page 3 that I had omitted. It was brought out here in discussion this morning, and I would like to refer to it.

The members of our association are most concerned over the fact that we were told in a public meeting held in Boise, Idaho, in September 1966, by representatives of the Bureau of Land Management and the U.S. Forest Service, that the capitalized market value of the grazing permit would be one of the cost factors taken into account when the results of the grazing fee study were compiled and reported.

It was upon this assurance that we pledged the support of our members in providing dependable and factual information to the Statistical Reporting Service for the survey. Additionally, I would like to remind the members of the committee that in February 1963, officials representing the Bureau of Land Management and the Forest Service testified to the fact that the capitalized cost of the grazing permit is a legitimate cost of doing business for the permittee of public lands. These statements were made at hearings on review of the Taylor Grazing Act before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs of the U.S. Senate, February 7 and 8, 1963.

Senator HANSEN. Let me interrupt you right there a minute, Mr. Jorgensen, to call the attention of the committee to this point. I know the chairman has been listening just as closely as I have. I think you have pinpointed something that is very important in the statement you have just made. There has been a lot of discussion in the last 2 days as to what assurances might have been given, what recognition was given, of these permit values as a cost factor in the compilation that would go into the permit fee.

I thank you for making the point that you have just made.

Mr. JORGENSEN. Well, that had been brought out and I had that in my statement.

My full statement you have, and I hope that you will put it in the record.

Senator CHURCH. Yes.

Mr. JORGENSEN. I would like to finish up my statement here that the Wyoming Stock Growers Association requests that this proposal be held in abeyance pending a complete congressional investigation to determine what are the true costs of grazing upon the public lands as compared to private lands, and also to determine what effect such large fee increases would have on the economic stability of the western livestock operator, as well as the many local communities that are so dependent upon his financial well-being.

The American people, always champions of fairplay, must be told the truth in complete congressional review so that the future of our public lands States can be assured today and tomorrow. It is beyond comprehension that such drastic fee increases would be imposed upon

the livestock industry at this time, especially when the express purpose of the Taylor Grazing Act was to "stabilize" the livestock industry of the United States.

Thank you again for your time and attention to this matter, and in parting I would like to recommend strongly that the imposition of these fee increases be delayed until the Public Land Law Review Commission has time to complete its studies in regard to these matters, and makes its final report to the Congress of the United States.

(The full statement referred to follows:)

STATEMENT OF CARL JORGENSEN, PRESIDENT, WYOMING STOCK GROWERS ASSOCIATION

Mr. Chairman, I am Carl Jorgensen, president of the Wyoming Stock Growers Association, from Pinedale, Wyoming.

On behalf of the membership of the Wyoming Stock Growers Association, a voluntary livestock organization of more than 2500 Wyoming ranchers, it is necessary for me to take strong exception to the adjustment of Grazing Fees on National Forests and Public Lands as proposed by the Secretary of Agriculture and the Secretary of Interior in December, 1968.

Wyoming livestock operators are using 13.1 percent of the total 21,440,031 AUM's provided by the public lands in the United States. This is the largest percentage of AUM's that is allocated to permittees from any state in the Union, so it rightfully follows that Wyoming's livestock industry is the most affected by this proposal.

This proposal would bring about a serious economic threat to the general economy of the State of Wyoming because agriculture is the second largest industry within our State. In view of the fact that the current market price for livestock is running about 76% of parity, it is easy to see that the proposed fee increases can only add to the spiraling cost of production of these meat animals, and will further depress these basic industries which are so vital to Wyoming's over-all economy.

Generally speaking, the prices received for live cattle at the markets are now just about the same as they were in the year 1948. This simply means that the rancher has had very little or no increase in his gross income from grazing livestock for more than twenty years.

Now needless to say, his costs of producing this beef have gone up by leaps and bounds during the last twenty years, and here the federal government is proposing enormous increases to his costs of production through increased grazing fees. As is usually the case, if these fees are implemented, the very large rancher will somehow survive, but the middle-sized and smaller rancher that is dependent upon public lands for a portion of the year's grazing, will be the one that is forced out of business because of increased costs. Abandoned ranches contribute little or nothing to either the regional business or local tax base, and will adversely affect the economy of many communities as well as entire counties of some of our western states that depend heavily upon sheep and cattle production for taxes to build roads, schools and other local needs.

The Association is also deeply concerned that the survey conducted by the Statistical Reporting Service has been apparently disregarded because it did not match up to the preconceived position of the then Secretaries of Agriculture and Interior. It is our contention that the dollar value of the livestock grazing permit, like land, is a rancher-owned asset that is not depreciable, but rather was paid for when the base lands were purchased or acquired. The permit value came into existence as a result of a legal requirement set forth by the United States government in 1905 and 1934, respectively. The essence of this legal requirement is that a stockman to be eligible to hold and own a permit, must control sufficient private land or water resources to sustain his livestock while they are not grazing on federally owned lands. Because of this commensurability requirement, the dollar value of the grazing permit must be capitalized into the total ranch investment. The only acceptable and meaningful basis for comparison of the public land grazing permittee with the holder of a private grazing lease, must include the cost of owning and paying for the grazing permit. Without this cost calculation the entire formula is meaningless.

The members of our Association are most concerned over the fact that we were told in a public meeting held in Boise, Idaho in September, 1966, by representatives of the Bureau of Land Management and the U.S. Forest Service, that the

capitalized market value of the grazing permit would be one of the cost factors taken into account when the results of the Grazing Fee Study were compiled and reported. It was upon this assurance that we pledged the support of our members in providing dependable and factual information to the Statistical Reporting Service for the survey. Additionally, I would like to remind the members of the Committee that in February, 1963, officials representing the Bureau of Land Management and the Forest Service, testified to the fact that the capitalized cost of the grazing permit is a legitimate cost of doing business for the permittee of public lands. These statements were made at Hearings on review of the Taylor Grazing Act before the sub-committee on Public Lands of the Committee on Interior and Insular Affairs of the United States Senate, February 7 and 8, 1963.

Also I would like to remind you that the grazing users and the mineral and oil lessees have been paying user fees consistently since the passage of the Taylor Grazing Act, while many other users of the public lands escape direct users' fees—a fact which should be corrected before any thought is given to increasing existing user fees on public domain.

The specific guidance and criterion given by Congress to the Secretary of the Interior in establishing fees for use of federal range is found in Section 3 of the Taylor Act as amended in 1947. Section 3 prescribes that the Secretary shall issue permits upon the payment of annual "reasonable fees" which shall consist of range improvement fees and fees for the use of the range. The Secretary "shall take into account the extent to which grazing districts yield public benefits over and above those accruing to the users of the forage resources."

Nowhere in the Taylor Act can I find the mention of the term "fair market value" as applied to fees, but instead I find numerous references to "reasonable fees" and "stabilization of the livestock industry." It is my opinion that the over-all legality of the proposal should be scrutinized before these proposed regulations are implemented.

If these proposed grazing fees are implemented over the entire ten year period the immediate and disastrous effect will be to decrease the market value of the total ranch assets by as much as 50%, and this in turn will force many agricultural lending institutions to recall outstanding livestock and land loans, with the net result of forcing these same livestock operations out of business.

Substantial losses are now being incurred by a majority of these range livestock operations, which have been brought about by more than a 100 percent increase in production costs since 1950. If we continue to force, by governmental action, additional and continual inflation upon this vital segments of the nation's food producers, who are already floundering in financial trouble, I can only say that I feel it is an *outrageous and cynical abuse of power*, in face of adverse economic circumstances.

In my contacts with stockmen discussing the proposed grazing fees that are now being implemented, I have found that the method and formula used by the Statistical Reporting Service failed to take into consideration the breeding cost on public lands as compared to private lands. My research shows that there is a difference of from \$15 to \$20 per calf in breeding costs on public lands as compared to private, when the percentage of calf crop is figured at 70 percent on public lands as compared to 90 percent on private lands. In addition to this increased cost factor, I am concerned that one reason that private leases rose so rapidly in the early 1960's was due to the fact of the greatly increased demand for private pasture leases because of the drastic reductions or "suspended use" of Bureau of Land Management permits that were imposed upon permittees immediately prior to the time the survey was taken.

The Wyoming Stock Growers Association requests that this proposal be held in abeyance pending a complete congressional investigation to determine what are the true costs of grazing upon the public lands as compared to private lands, and also to determine what effect such large fee increases would have on the economic stability of the western livestock operator, as well as the many local communities that are so dependent upon his financial well-being.

The American people, always champions of fair play, must be told the truth in complete congressional review so that the future of our public lands states can be assured today and tomorrow. It is beyond comprehension that such drastic fee increases would be imposed upon the livestock industry at this time, especially when the express purpose of the Taylor Grazing Act was to "stabilize" the livestock industry of the United States.

Thank you again for your time and attention to this matter, and in parting I would like to recommend strongly that the imposition of these fee increases be delayed until the Public Land Law Review Commission has time to complete

its studies in regard to these matters, and makes its final report to the Congress of the United States.

TABLE I.—U.S. FOREST SERVICE—AVERAGE COSTS PER AUM FROM GRAZING FEE STUDY¹ (CATTLE)

| Item | Average nonfee cost per AUM of running livestock on Forest Service lands ² | Average cost per AUM of running livestock on private lands |
|---|---|--|
| 1. Annual capitalized market value of the grazing permit ³ | \$1.52 | |
| 2. Private lease rate..... | | \$1.86 |
| 3. Lost animals..... | .61 | .38 |
| 4. Association fees..... | .19 | |
| 5. Veterinarian..... | .13 | .14 |
| 6. Moving livestock to and from allotment..... | .33 | .24 |
| 7. Herding..... | .47 | .16 |
| 8. Salting and feeding..... | .41 | .85 |
| 9. Driving to and from allotment..... | .41 | .27 |
| 10. Water..... | .04 | .07 |
| 11. Horses..... | .23 | .10 |
| 12. Fence maintenance..... | .27 | .28 |
| 13. Water maintenance..... | .18 | .10 |
| 14. Development depreciations..... | .13 | .02 |
| 15. Other costs..... | .17 | .12 |
| Total, cost per AUM..... | 5.09 | 4.59 |

¹ Represents all national Forest Service lands in survey.

² Represents the average nonfee costs of running livestock on Forest Service Lands. The average grazing fee in 1966 was \$0.51 per AUM for cattle.

³ Capitalized at 6 percent (the cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$25.35 per AUM on a national basis (regions I-VI). (The computation was as follows: \$25.35 times 6 percent equals \$1.52 per AUM.)

TABLE II.—BUREAU OF LAND MANAGEMENT—AVERAGE COSTS PER AUM FROM GRAZING FEE STUDY¹ (CATTLE AND SHEEP)

| Item | Average nonfee cost per AUM of running livestock on BLM lands ² | Average cost per AUM of running livestock on private lands |
|--|--|--|
| 1. Capitalized grazing permit ³ | \$0.87 | |
| 2. Private lease rate..... | | \$1.82 |
| 3. Lost animals..... | .60 | .40 |
| 4. Association fees..... | .04 | |
| 5. Veterinarian..... | .10 | .14 |
| 6. Moving livestock to and from allotment..... | .21 | .24 |
| 7. Herding..... | .49 | .20 |
| 8. Salting and feeding..... | .69 | .87 |
| 9. Driving to and from allotment..... | .31 | .28 |
| 10. Water..... | .11 | .07 |
| 11. Horses..... | .12 | .09 |
| 12. Fence maintenance..... | .20 | .27 |
| 13. Water maintenance..... | .20 | .10 |
| 14. Development depreciations..... | .11 | .02 |
| 15. Other costs..... | .14 | .13 |
| Total, cost per AUM..... | 4.20 | 4.63 |

¹ Represents all BLM grazing districts.

² Represents the average nonfee costs of running livestock on BLM lands. The average grazing fee in 1966 was \$0.33 per AUM.

³ Capitalized at 6 percent (cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$14.41 per AUM on a national basis. (The computation was as follows: \$14.41 times 6 percent equals \$3.87 per AUM.)

Source: Prepared by the American National Cattlemen's Association.

Senator CHURCH. Thank you very much, Mr. Jorgensen.

I want also to say that one of the things that has disturbed me about these hearings is that, in a sense, you gentlemen of the industry, the sheep and cattle industry, feel you may have been bushwhacked. You were led to believe, I understand, that the value of the permit would

be figured into the costs, along with the other costs of business, in determining what the fee should be.

On that basis, you cooperated. The study was made. And it was not until after the study was near completion that the Government intimated there would be some new rules introduced.

That kind of thing, when we run across it—and I must say we have run across it more often than we should—creates public distrust in the Government. It is a very unfortunate thing to happen. It constitutes what people come to feel has been a misrepresentation. I think it should be avoided at all costs; if you cannot trust the Government in dealing with it, if you cannot rely upon representations that are made by the Government, then the basis for confidence is totally undermined. Nothing could be more serious in a country like ours.

I think this has to be called to the attention of both the Department of Agriculture and the Department of the Interior as one of the most disturbing revelations that has been made to this committee in the course of these hearings in the past two days.

Mr. JORGENSEN. I might add right here that the meeting I spoke of was held in Boise, Idaho, and with our understanding that the representatives of the Forest Service and the BLM would consider these permits. I dictated a letter to the secretary of our association and had those letters printed and handed to the Statistical Reporting Service for mailing with the questionnaires to the people who were being questioned in Wyoming, asking their cooperation, so that they would give full cooperation in this statistical study. I think we did our part, but I believe we were let down in the final analysis of it.

Senator HANSEN. If I could say just a word, Mr. Chairman. For the benefit of those present, I wish to point out the great service the chairman of this subcommittee, the distinguished senior Senator from Idaho, has rendered. It has been his recognition for a long time that one of the responsibilities that is vested in the legislative branch of Government and not often exercised is so-called legislative oversight. This is the responsibility to see that the laws which are enacted by the Congress of the United States are carried out honestly and sincerely by the executive branch of the Government.

I want to take this occasion to pay tribute to you for exercising that function. I know that we are all very grateful to you.

Senator CHURCH. Thank you very much, Senator. I appreciate that. I thank you for your testimony, gentlemen.

Mr. Virilis L. Fischer of the Nevada Wildlife Association has been patiently waiting for 2 days, but he was unable to wait any longer, so he has submitted his statement. I am sorry, he being a longtime friend, that I was not able to get to him before he had to leave. He submitted a statement and it will appear in the record as though he had appeared and given it.

STATEMENT OF VIRILIS L. FISCHER, SECRETARY OF THE NEVADA WILDLIFE FEDERATION

Mr. FISCHER. Mr. Chairman and members of the committee, I am Virilis L. Fischer of Las Vegas, Nev., secretary of the Nevada Wildlife Federation. We are a statewide organization of conservation clubs representing a broad cross section of the sportsmen of the State, and are the State affiliate of the National Wildlife Federation.

We had a panel discussion of the grazing fee issue at our membership meeting January 11-12 in Las Vegas, but when it came to taking some kind of action we were unable to reach an agreement and wound up tabling the matter. Many of our people are ranchers, friends of ranchers, neighbors, or live on "Main Street," to whom the well-being of the ranching industry is important, and were not about to vote in favor of anything hurting the pocketbook. There was no quarrel with the grazing fee study which determined the value of an AUM, and I believe there was general agreement that the resources of the public lands should bring a fair market price. However, our people are sportsmen and conservationists, not economists, and there was enough doubt raised about the capitalization of the permit to cloud the issue.

Personally, I am familiar with the western livestock grazing survey of 1966, and can find nothing wrong with the determination that an AUM is worth \$1.23. Further, I endorse the principle that the resources of the public lands should be sold for their fair market value. It would be a national scandal, for instance, if timber on the public lands were to be sold for a fraction of its fair market value as determined by competitive bidding. I do think the Federal Government should be consistent in this fair market value policy, however, and not exempt costly recreation facilities from user charges which is scheduled to happen next year with the passing of the Golden Eagle passport program.

Due to the economic impact of the proposed fee increase, as recognized by the Federal Government, itself, in spreading it out over a 10-year period, I do not blame the western livestock industry for seeking a review of the matter. As an alternate member for recreation on the Nevada BLM Multiple Use Advisory Board, I supported a resolution requesting such a review at our last meeting February 5-6 in Reno.

As I understand it, the controversy centers around failure to recognize the cost of the permit as a legitimate cost of doing business. It is contended, on the one hand that this is the end product of a 34-year policy of selling the forage resource far below its actual value, thus creating an artificial value for the privilege of obtaining a bargain which would disappear if a fair market price were charged. On the other hand, the western livestock industry does have this investment to contend with, and the resolution of the Special Committee on Grazing Fees at San Francisco attributes this situation to the low-fee policy long in existence and "other factors." The other factors were not identified, but, if valid, might well contribute to the value of the permit. I am, therefore, not entirely satisfied that a permit cost factor would not still be a legitimate cost of doing business.

The study established a value of \$14.41 per AUM based upon a bargain rate for the grazing privilege. It does not establish what the cost of the permit likely would be under the proposed fee of \$1.23. With intensified land management programs of the land management agencies in the West, it is possible that the grazing privilege will always be a bargain. The extent to which there would still be a market value for the permit under the increased fee schedule perhaps could and should be determined. Thus, I would be in favor of allowing the proposed increase for this year to go into effect, while authorizing further study during the year of the validity and extent of all the factors affecting the value of the grazing privilege.

With respect to any possibility of a large-scale transfer of these grazing lands from public to private ownership, the Nevada Wildlife Federation would strongly oppose any such plan, except for isolated tracts and land exchanges to block up ownerships for better management. In addition to being on record in favor of multiple use, we actively supported the Classification and Multiple Use Act. We have been following the classification program of the BLM with great interest, and have been supporting the classification proposals for retention of these large blocks of land in public ownership for continued multiple-use management.

Nevada is the most arid State in the Nation, and it takes a lot of acres to provide an AUM. We have some areas where it takes 40 acres to graze one cow. Nevertheless, the BLM collects more in grazing fees in Nevada than in any other State. Any inequity in the fee system thus would have greater impact in Nevada than elsewhere.

To give an idea of the kind of acreage we are dealing with, Nevada has 22 ranch operations with public land grazing permits of over 25,000 AUM's. This differs from the 13 shown in the BLM grazing fee analysis of November 1968 for the reason that this list was compiled by districts. Some ranchers operate in as many as three districts, so that the figure of 22 is correct. Attached hereto is a list of these 22 ranch operations and the public land acreage required to support their AUM qualifications. In summary, these 22 operations have a total of 855,291 AUM's requiring approximately 10 million acres of public land. I am sure the committee can appreciate what this would do to all the public land values in a sound multiple-use program, if this kind of acreage were to pass from public ownership.

Thank you for this opportunity to present our views.

TABULATION OF RANCH OPERATIONS IN NEVADA WITH OVER 25,000 AUMs AND THE PUBLIC LAND ACREAGE REQUIRED TO SUPPORT THEIR AUTHORIZED GRAZING QUALIFICATIONS

1. Nevada Garvey Ranches, Inc., 111,673 AUMs, 1,053,309 acres of public land.
2. Holland Livestock Ranches, 50,800 AUMs, 525,646 acres of public land.
3. Joe B. Fallini, et al., 25,730 AUMs, 752,000 acres of public land.
4. Eureka Livestock Co., 31,926 AUMs, 216,000 acres of public land.
5. Eureka Ranch Co. 45,371 AUMs, 465,000 acres of public land.
6. Henry Filippini, 25,625 AUMs, 341,000 acres of public land.
7. Paris, Paris & Inchauspe, 25,173 AUMs, 270,983 acres of public land.
8. Copper Sheep Co., 32,927 AUMs, 510,106 acres of public land.
9. El Tejon Cattle Co., 30,212 AUMs, 352,966 acres of public land.
10. Bertrand Paris & Sons, 27,871 AUMs, 686,887 acres of public land.
11. B. H. Robinson, 30,432 AUMs, 248,769 acres of public land.
12. Warm Springs Livestock Co., 27,794 AUMs, 386,912 acres of public land.
13. Marble Ranches, 31,804 AUMs, 165,866 acres of public land.
14. Mesquite Land Co., 28,895 AUMs, 299,388 acres of public land.
15. Salmon River Cattlemen's Association Inc., 31,304 AUMs, 281,135 acres of public land.
16. Robinson & Sorensen, 30,225 AUMs, 607,312 acres of public land.
17. Deseret Livestock Co., 12,941 AUMs, 81,722 acres of public land. (Has additional grazing privileges in Utah.)
18. Allied Land & Livestock Co., 67,223 AUMs, 757,633 acres of public land.
19. Ellison Ranching Co., 70,171 AUMs, 460,160 acres of public land.
20. Twenty-five corporations, 46,636 AUMs, 333,028 acres of public land.
21. Petan Company, 18,390 AUMs, 124,186 acres of public land. (Has additional grazing privileges in Idaho.)
22. Magnuson Ranches, 53,167 AUMs, 1,007,415 acres of public land.

Grand total for the 22 operations, 855,291 AUMs, 9,927,423 acres of public land. This amounts to 28% of the total Sec. 3 grazing privileges in Nevada and 22% of the total Sec. 3 public land acreage.

Senator CHURCH. I have a statement from Mr. John W. Scott, master of the National Grange, for inclusion in the record at this point.

(The statement referred to follows:)

STATEMENT OF JOHN W. SCOTT, MASTER, NATIONAL GRANGE

Mr. Chairman and members of the committee: I am John W. Scott, Master of the National Grange, with offices at 1616 H Street N.W., Washington, D.C. The National Grange represents 7000 community Granges, located in rural America, many of which have a vital economic interest, as well as a social interest, in the subject being considered by this Committee.

We wish to thank the Chairman for calling hearings on the recent increases in grazing fees on federally-owned forest grasslands contained in regulations promulgated by the Departments of Agriculture and Interior. We share with this committee a sincere concern over the possible adverse effect such drastic increases in grazing fees will have upon the economic well-being of the permit holders, as well as the effect on the community in which he lives.

B.L.M. LANDS

The National Grange, for many years, has been a strong proponent of multiple use of public lands. Our members do not object to paying "reasonable fees" as used in the "Taylor Grazing Act." The Taylor Grazing Act, as amended in 1947, specifically states that, in fixing the amount of such fees, the Secretary "shall take into account the extent to which grazing districts *yield public benefits over and above those accruing to users of forage resources for livestock purposes.*" We do not believe that this was taken into consideration in arriving at the new increase in the grazing fee base. In addition, the term "fair market value," by which the increase in grazing fee base is being justified, does not appear in the Taylor Grazing Act as amended, nor has it heretofore been referred to in any of the regulations promulgated under the Act. Therefore, we challenge the legal authority of the Secretary of Interior in proposing grazing fee rates on BLM forest grassland far beyond any previously considered.

It is our understanding that the B.L.M. Advisory Council has requested the Department of Justice to determine if the "fair market value" used to determine the fee rate recommended complies to the terms of "reasonable fees" as used in the Taylor Grazing Act. If this information is not already available to the Committee, we urgently request that the Chairman submit the legality of the increase to the Justice Department for a ruling.

FOREST SERVICE LAND

The Forest Service administers the grazing on the national forests land. This is done under regulations promulgated by the Secretary of Agriculture based on the Act of June 4, 1897 and other related legislation. Broad objectives in the administration and management of grazing are: (1) Conservation and improvement of the Federal rangelands to provide maximum sustained levels of livestock grazing consistent with other resource uses; and (2) the allocation of *grazing use to livestock producers under conditions which will lend economic stability to ranching operations and surrounding local communities.*

The Forest Service uses a base fee derived from an early study of lease rates on private grazing lands. Base fees were established for local range allotments after considering the grazing capacity, quality of forage, location, and other factors. Consequently, there are several hundred different fee bases for either cattle or sheep. Each of these, however, is adjusted annually to *reflect the previous year's average cattle or lamb prices in the Western states.*

We suggest that the 300% increase in fees, resulting from recent changes in policy in the U.S. Forest Service, are not within the guidelines used in past years to set the base grazing fee for use of forest grassland; namely (1) "lend economic stability to ranching operations and surrounding local communities" and (2) "reflect the previous year's average livestock prices."

EFFECT OF INCREASE IN FEES ON RANCHER AND COMMUNITY

In a U.S.D.A. report "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue", dated November 12, 1968, the Department stated "The initial impact of a fee increase would be an immediate rise in the permittee's cost of production. The amount would be directly proportional to the number of AUM's (Animal Unit Months) permitted. The increased expense would lead to an equal decrease in net income, since ranchers' gross income would not change materially. The reduced net income would be reflected in lower rancher expenditures in the local community. The size of the impact would be magnified by the multiple effect of these expenditures. The increased 25 percent refund to the local county government would be a partial compensating factor."

An industry that is already depressed by increased operating costs and low rates of return on invested capital (part of which is the permit value) cannot stand the shock of further increases in the cost of production. The 25% return to the community may be of benefit to the local government, but would not aid the rancher unless it resulted in a lowering of his local tax liability.

Losses of income by ranchers inevitably affect other segments of local economies. A reduced ranch income causes a reduction in the amount of spending the rancher does at local business establishments. Local merchants are unable to sell as many products. Their profits are reduced, their volume of business is down so they are unable to buy as much from other local businesses or from wholesalers. Thus, the losses spread through many segments of the economy.

In the past the total impact of ranch communities of increased cost has included a loss of young ranchers from these communities and the loss of population has created problems for service industries in the affected areas.

In studies made to determine the effect on local employment of loss of income to a community, it is common to use an employment multiplier. Such an employment multiplier, as it is applied to a ranching situation, would indicate that loss of ranchers in the basic sector (agriculture) would create a multiple loss of jobs in the secondary sector of the ranching communities.

Based on studies made by the Utah Agriculture Experiment Station, Utah State University, Logan, Utah, it was determined that for every rancher who sold his ranch to his neighbor and left the rural community, 1.2 jobs in the service area would also be lost. If 5 ranchers were lost due to increased fees ($5 \times 1.2 = 6$) six jobs in the service or secondary sector would be eliminated.

Employment losses in one area of the economy may be offset by increases in employment in another area. Nevertheless, in all probability, the shift from rural areas to the urban areas would add to the poverty and problems of many rural communities, as well as add to the congestion of our metropolitan areas. In addition, the migration of untrained people from rural to city adds to the economic problems of our already overcrowded urban areas.

In the Utah study, it was determined that as the ranchers' income was reduced, by various fee levels, the local and federal revenues would increase. However, because of the generator factor, the loss of income to the community would be approximately double the ranchers' losses.

Losses exceed gains by the amount lost in the secondary sectors and the permit value lost. One could argue that secondary benefits might be forthcoming from increases in county and federal revenues, i.e., the secondary sector of the economy might be stimulated by increased revenues of the county and federal government, or by charges for other uses of forest land. An analysis of this possibility and its economic effect on the community would be very difficult to determine. Nevertheless, problems of income distribution could be expected to have a negative effect on the local economies of the states.

CONCLUSIONS

The Grange is, and has been, deeply concerned about the economic development of rural communities. We are alarmed at certain policies of government that take a narrow view of problems, without consideration of the bilateral or multilateral effect such policy determinations may have upon the people and the community in which they live.

If the high increase in fees under consideration remains in effect, ranchers will be forced out of business, because they do not have the power to pass on this increase in production cost to the consumer. The net result will be loss of income to the rancher, community and eventually withdrawal from the ranching industry and migration to urban areas.

We must admit that we find some policies of Government difficult, if not impossible, to understand. The increase in grazing fees is a case in point. At the very time Congress and the Administration are considering various methods and alternatives that entail large amounts of Federal expenditures to develop rural America, other arms of Government are setting policies that will force people to leave rural communities and have a negative effect on the economies of local areas. It seems to us that we sometimes compound our problems.

In view of the total effect increases in grazing fees may have upon rural communities, we urgently request that grazing fee increases past 1969 be set aside until a thorough study has been conducted to determine the economic as well as social effect such increases will have upon rural America. Certainly we should wait until after the study by the Public Land Law Review Commission has been completed before any final decision is made.

We wish to express our thanks to this Committee for calling for hearings on the increase in grazing fees as promulgated by the Departments of Agriculture and Interior and for allowing us the opportunity of presenting our views on this matter of vital concern to some section of rural America.

We feel strongly that in applying the knowledge you will have gained by conducting these hearings, you will weigh the effect on the rancher's income, community stability and rural development in determining the future level of grazing fees. We further believe that the levels of grazing fees should be tailored to fit regional or special situations and tempered to reflect much more than "fair market value" or simply generate revenue for the Federal Treasury—revenues that would fall way short of being sufficient to correct the economic imbalance such increase in grazing fees may create.

Thank you, Mr. Chairman and Members of the Committee, for your consideration of the views of the National Grange on this controversial problem.

Senator CHURCH. That brings us to Mr. Newell Johnson of the Utah Wool Growers Association.

I see that Mr. Stewart Brandborg, executive secretary of the Wilderness Society, is not here. The record will be open to receive his written statement within the next 10 days.

STATEMENT OF STEWART M. BRANDBORG, EXECUTIVE DIRECTOR, THE WILDERNESS SOCIETY

Mr. BRANDBORG. Mr. Chairman, I am Stewart Brandborg, executive director of the Wilderness Society. The Wilderness Society is a national citizen's organization of some 45,000 conservation-minded members who are deeply interested in the preservation of our Nation's remaining wilderness lands, and who are also interested in the management of recreation and commodity resources on the lands administered by the Bureau of Land Management and the U.S. Forest Service. The Wilderness Society thus reflects concern of the public in responding here today to the committee's invitation to comment on the grazing regulations and fee schedules which have been adopted to implement the Classification and Multiple Use Act of 1964 for lands under the administration of the Bureau of Land Management, and to manage grazing lands in the National Forests and Grasslands.

We are pleased to see that these new regulations and fee schedules provide a basis for the development of comprehensive plans of multiple use management and protection. They fulfill the requirements of the multiple use statutes by providing a pattern for coordinated planning and management of lands within the jurisdictions of the Bureau of Land Management and the Forest Service. They represent to us a highly significant and far-reaching first step which promises to bring to this Nation and its people the full benefit of the rich public estates of the National Land Resource and the National Forests with their diversities of commodity and recreational resources.

Too long have we waited for the new and modern perspectives that these laws bring to us. The benefit that these lands can yield to our country under carefully developed and broadly oriented land use plans are now, for the first time, within reach. The new regulations provide the foundation for greatly increased production of timber, forage, and livestock as well as the protection of wildlife, natural areas, scenic landscapes, and recreational and wilderness resources.

The Wilderness Society recognizes the important role that BLM and National Forest grazing lands have played in supporting our Western livestock industry. We are aware also that they have contributed a steadily increasing volume of timber to mills and dependent wood product industries. The criteria, being reviewed here today, give us the expectation of an ultimate increase in production from rangelands through the intensification of management efforts. These efforts, we believe, are long overdue, and both the Departments and the agencies are to be commended for the progress that has been made within a relatively short period in applying new management programs.

These new programs can bring great increases in the productive capacity of the public lands which have been devoted to grazing and other commodity purposes. As their production of food, forage, and fiber increases under more intensive management, it will become increasingly obvious that those lands which have been designated, or are designated in the future, for recreational uses—for wildlife or the preservation of scenic and natural values—can be managed and protected for their specific purposes without impact upon commodity production. In the absence of more intensive management of areas devoted to commodity purposes, so that they can better produce in increasing amounts, it will become increasingly difficult to hold to our decisions to preserve and protect the lands that we dedicate to recreational and wilderness purposes.

The Wilderness Society supports the proposed amendments and revisions of the regulations and grazing fees for public lands under the jurisdiction of the Department of the Interior and also the proposed new regulations and fees proposed by the Department of Agriculture as published in the Federal Register on November 16, 1968.

The proposed changes reflect the intent of the Comptroller General, who in 1958 and 1959 recommended the elimination of present inconsistencies in charges for grazing on Government lands managed by different Federal agencies, and who recommended also that fair compensation for the use of these public lands be received. He further proposed that a joint study be undertaken with the objective of arriving at a uniform basis for establishing the grazing fees.

The proposed changes in the grazing fees of both the Department of the Interior and the Department of Agriculture are in keeping with the general Government policy for all Federal activities of obtaining a fair market value for the services and resources provided to the public through the establishment of a system of reasonable fee charges. The revised regulations strengthen the multiple use management of this public resource by giving recognition to wildlife, recreation, watershed, and other values.

We endorse the proposed changes in the regulations which would establish grazing fees that reflect the fair market value of the range

resources, and that give needed authorization for their annual adjustment. The revisions proposed for the simplification of administrative procedures will allow flexibility to ranchers who operate under an approved allotment management plan. This reflects an essential concern in the Departments for improved quality and greater intensity of management on these grazing allotments.

The proposal to adjust the indicated fair market value of the grazing fees within a 10-year period seems fair. It reflects concern for the livestock operation by providing yearly fee increases which will permit the rancher to go through a gradual adjustment in his operation.

We object to the proposal that the capitalized value of the grazing permit be considered as an operating cost and thus be deducted from the proposed grazing fee. The recognition of the permit value in consideration of the grazing fee appraisal would give the livestock users a vested property right in publicly owned grazing lands. This would represent a dangerous first step in abrogating the rights of the American public to full access and use of the public lands of our Nation which are administered by the Bureau of Land Management and the Forest Service. Through this recognition of such a vested right, permittees could ultimately control access, use, and management of the public lands. The other multiple uses would then become secondary with wildlife, recreation, watershed, and other values not receiving adequate consideration. Thus we would see a basis for "fencing out" recreationists and other users of the public lands.

This threat to the public's use of our public lands must be clearly recognized, along with the fact that big game and other wildlife have a rightful claim to the forage and cover of our National Forests and National Resource Lands. These public ranges support the greater part of our western big game populations, as well as many smaller species which are of great importance to recreational users and scientists.

The definitions of multiple use which are contained in the multiple use statutes of the Bureau of Land Management and the Forest Service furnish a broad base for evaluation of the lands and resources within their administrations. They assure the opportunity for careful study of all potential values that may be realized from this vast public ownership. They will permit the protection and management of lands for the preservation of their scenic, wildlife, wilderness, and other values, where such protection and management are found to be essential to the preservation of these resources even though such preservation will not always bring "the greatest dollar return." This is as it must be, if the quality and the diversity of outdoor experience are to be maintained for the American people and the great recreational values of some of these lands are to be realized.

The proposed land classification and management criteria of BLM are comprehensive. In general, they place proper emphasis upon a broad spectrum of public uses and benefits. They are realistically considerate of local economies and the needs of State and local governments. They assure consideration of the importance of outdoor recreation resources, their relative scarcity, and the public's need for them. They take into account the needs of a rapidly growing population at a time when we must prevent urban sprawl and assure the protection of

basic resources including soil, watershed, wildlife, wilderness, and recreation resources.

The criteria for classification for disposal appear to set firm requirements and procedures for assuring that any lands which are relinquished from the public ownership will be managed wisely for specified purposes of local communities or for farming of cultivated crops. Their requirement, that comprehensive community plans and zoning regulations be enforced to assure the use of these areas for the purposes which are specified, is an important safeguard.

In general, we have encouraged the retention and management of lands by the Bureau. We urge that the requirement for retaining lands in public ownership for the wilderness preservation purpose be fully employed to meet the opportunity for this purpose that the Classification and Multiple Use Act of 1964 affords.

This act clearly authorizes the Bureau to retain lands for wilderness preservation purposes as one of 10 specifically cited land uses. Its authorization permits the protection and preservation of these areas for the multiplicity of recreational, scientific, and educational uses that can be provided by wilderness areas. It thus authorizes the Bureau of Land Management to retain and manage these lands for the preservation of their wilderness and primeval environments.

The language in paragraph (1) of section (i) (wilderness preservation) of the regulations (2410.1-2) permits designation and the continuing protection of wilderness lands in BLM's jurisdiction under the 1964 Classification and Multiple Use Act. This paragraph serves as a guideline for management of public domain wilderness lands using as a standard the wilderness-preservation principles of the Wilderness Act.

It must be firmly recognized that the "values of wilderness" represent a wide range of educational, scientific, and recreational uses encompassing both tangible (monetary) and intangible benefits to people who use and enjoy wild and primitive country. It is important to note in this connection that the principal characteristic of wilderness is the wild quality of the land. Wilderness, as such, should be a principal criterion in determining the suitability of an area for preservation as wilderness. Wilderness wherever we find it—in the desert, the snow-capped and rugged mountain ranges, the swamps and marshlands, the frozen expanses of the Arctic—has this wild quality in common. What may appear as a special feature of scenic beauty, or as a special and unique focal point of interest within one or more given areas should not be considered as a requirement or standard for wilderness as it is found elsewhere. Thus the qualities of a given scenic or topographic feature, or an interesting and unique representation of plant and animal communities, while contributing to the special significance and value of an area and making it unique in comparison with other units of wilderness land, should not be considered a requirement to be placed upon other wild land areas that may be considered for preservation as wilderness. Wild lands should be preserved wherever they "have wilderness characteristics" of public value which warrant preservation.

We feel that the elaboration of the standards and requirements for management and development of habitat for fish and wildlife, and for other outdoor recreational purposes, are basic to the fulfillment of

long-range opportunities within the public ownerships administered by BLM and the Forest Service. If these lands are developed for recreation purposes during the next decade, they can play a vital role in satisfying recreation needs where heavy use and demand can best be accommodated under the comprehensive regional planning by Federal, State, and local governments as they implement programs called for by the 1964 Land and Water Act. We feel strongly that the new regulations and grazing fees which have been adopted for these lands are an important part of multiple use planning efforts. The newly established grazing fee increases of the Departments of Interior and Agriculture meet the need to put grazing, as one of many multiple uses, on an equitable basis with other uses of these publicly owned lands.

I very much appreciate the opportunity to present these comments here today. Thank you.

Senator CHURCH. That brings us to Mr. Newell Johnson, of the Utah Wool Growers Association, and Mr. Lee Barton, also of the Utah Wool Growers Association. Is there anyone else from Utah?

Mr. Johnson and Mr. Barton, please.

STATEMENTS OF NEWELL JOHNSON, IMMEDIATE PAST PRESIDENT, UTAH WOOL GROWERS' ASSOCIATION, ACCOMPANIED BY LEE R. BARTON, PRESIDENT, UTAH WOOL GROWERS' ASSOCIATION

Mr. JOHNSON. Mr. Chairman and members of the committee, I have waited long for this privilege. It is a privilege to appear before such a distinguished committee for the purpose of submitting testimony on such an important issue as grazing fees and their consequent effect upon my particular industry.

I am Newell A. Johnson, a resident of Utah. I am the immediate past president of the Utah Wool Growers' Association and am engaged in the age-old and honorable vocation of producing wool and lamb. I am here because of my concern for the industry I represent and for my own future in it.

I began my career in the sheep business in October of 1934, the year the Taylor Grazing Act came into being, by leasing 1,000 sheep. I remember well the meeting I attended in Salt Lake City that fall presided over by Ferre Carpenter who represented the Federal Government. He traced the history of the migration West and stressed the need for orderly use of the great expanses of open range then in existence in the Western States.

We voted overwhelmingly in favor of Federal control and regulation. I remember the emphasis placed on the language of the Taylor Grazing Act explaining as one of its major objectives and purposes, "The stabilizing of the livestock industry." If my memory serves me correctly, the fee for the first year was 1 cent per head for sheep and 5 cents per head for cattle. It went from there to 8 cents, to 12 cents, to 15 cents, 19 cents, 22 cents, 30 cents, then 33 cents, and now the contemplated fee, eventually if implemented, will have a base of \$1.23 per AUM with the possibility of another 6 to 10 cents as a result of a forage value index factor.

We, who are in the sheep business in America, are producing commodities that are in short supply. We import two-thirds of the wool

we consume. Millions of pounds of lamb and mutton are imported each year with no import quota restrictions whatever.

The Bureau of the Budget in its quest for all-possible revenue is demanding our life's blood in exchange for grazing privileges on public lands. While at the same time, the Departments of State, Commerce, and Trade are exerting pressure for reduced tariffs and duties on our products—this is in the interest of international public relations. We are in the squeeze between the two and are apparently being sacrificed upon the altar of free trade.

We are receiving for the products of our labors and business, prices essentially comparable to those received 20 years ago—while our costs during the same period have tripled. A recent study undertaken in Utah revealed that the homeowner with an average amount of personal property pays approximately 3 percent of his annual net income as property tax, while the farmer or rancher pays approximately 15 percent of his net income for that purpose.

In my own lifetime, I have invested in excess of \$76,900 in forest and BLM permits and have willingly accepted a 46.7-percent reduction on my BLM license. I have also made a very substantial investment in private ranch property in order to have sufficient base property to qualify for forest and BLM privileges.

It is my contention that if the grazing fee increase is implemented in its entirety it will completely destroy any permit value I may have and will devalue my base ranch property by a very considerable amount.

A recently conducted survey by four western universities on cattle and sheep operations revealed that the average range cattle rancher receives a 2-percent return on his investment and the average sheep rancher receives 2.6 percent. This, I feel sure you will agree, is not what you would call a very handsome profit, especially when your own supervisory labor is thrown in.

I have computed my own grazing fee costs on forest and BLM lands at the present fee level. It amounts to \$3,156.66. At the fully implemented level, it will increase to \$10,265.58, a difference of \$7,108.92.

I assure you, gentlemen, that I cannot possibly absorb this extra cost and remain in the business to which I have devoted my life.

Thank you.

Senator CHURCH. Thank you, Mr. Johnson.

Mr. Barton, do you have a statement you would like to make at this time?

Mr. BARTON. Mr. Chairman, I am Lee Barton, president of the Utah Wool Growers' Association.

I have come to Washington to testify before this Senate hearing on behalf of the sheep industry of the State of Utah. I appreciate very much this opportunity.

The raising of grazing fees constitutes a severe threat to the livestock industry of the public land States. We as livestock permittees feel that this is most unjust.

Our forefathers moved into the public land States and developed a livestock industry. The economy of the area is absolutely dependent upon the use of these public lands both at the time of our forefathers and today. Now, we find through the recent implementation of the

grazing fee increases, it threatens to destroy our only real basic industry in our rural areas of the public land States.

Our rural area population has been dwindling to the cities over many years and if we lose our livestock industry through excess grazing fees we in the rural areas will find ourselves on the welfare lists of the Nation.

Today with all the urban problems it just doesn't make sense to me to force more of the rural population into the cities to further magnify the problem.

County Commissioners, school board members, city governments and State governments are taking a good hard look at this very thing. They are beginning to wonder just where they are going to find the money to operate schools, government, and the many other services if the livestock industry is jeopardized.

In my State we are in the four corners area, consisting of Utah, Colorado, New Mexico and Arizona. At the very time when the Government has determined this area to be one of poverty and anticipates the spending of millions of dollars, the grazing fee hike has been implemented—and if allowed to go any higher will result in the mass liquidation of the livestock business.

Concern has been registered not only by our taxing units but also by all of the financial concerns of our county and our State. Records indicate that the return on investments ranges from 1 to 3 percent. This speaks for itself and certainly indicates the results of a raise can do nothing but jeopardize the industry.

I hope that I have in some way pointed out the need to stop the unnecessary raise in grazing fees. Studies made by competent universities have indicated it is not necessary for grazing fees to go higher and I hope that you will give full consideration to this very grave matter and stop what could be a mass liquidation of the livestock business in the public land States.

Senator HANSEN (presiding). Thank you very much, Mr. Barton, and thank you, Mr. Johnson. I do not have any questions. We appreciate your patience in waiting so long.

Mr. JOHNSON. We appreciate the opportunity at this late hour of having been heard. Thank you very much.

Senator HANSEN. I want to assure you that what you have said will be read by the members of this committee with great interest. This is true of the testimony of everyone.

Senator HANSEN. The Utah Farm Bureau Federation has sent in a statement. I believe this would be a good place for it.

(The statement referred to follows:)

STATEMENT OF THE UTAH FARM BUREAU FEDERATION

The proposed increases in the grazing fees are neither in the public interest of the United States, the betterment of the National Forests and BLM Lands, the economic wellbeing of the communities in the vicinity of the public lands nor the farm and ranch people who directly use these lands.

The policy developed by our membership during the past year and adopted at the Utah Farm Bureau Convention on November 23, 1968 states:

Neither the Forest Service nor the Bureau of Land Management was created as a revenue producing agency, present livestock prices are substantially the same as they were twenty years ago, yet during the same period livestock production costs have tripled. From a purely economic point of view an increase in grazing fees cannot be justified.

Therefore, the Utah Farm Bureau Federation vigorously opposes the recent decision of the Secretaries of Interior and Agriculture to arbitrarily raise grazing fees on public lands without regard to permit value as a recognized cost of doing business.

A recent survey of ten thousand ranches in the western public land states agreed to by stockmen and public land administrators indicates that when the cost of the permit is recognized as a legitimate cost of doing business the present grazing fee is reasonable. We, therefore, recommend that grazing fees remain stable, at least until all findings of the Land Law Review Commission have been completed and published.

The federal government owns over 74% of the land in the state of Utah. The major source of tax revenue from these public lands is that which is collected from the private interests which use them in one way or another.

The major users of public lands in many of our counties are the cattle and sheep men. If the proposed grazing fee increases on B.L.M. and forest service lands are allowed to stand many of these people will be forced out of business. This in turn means a loss in tax revenue to the counties and communities in which these people live and a loss of income to the businessmen in these communities. To continue in this cycle, resulting business losses mean increases in unemployment and to the point where other federal agencies may then declare the counties thus affected to be poverty areas, with the result that federal money far in excess of that obtained from the grazing fee increases would have to be put into the area resulting in a net loss to everyone concerned with the possible exception of the federal job holders.

Removal of domestic livestock from Forest and BLM grazing lands contributes to the growth of undesirable vegetation which in turn reduces water yield from the water sheds and diminished feed for wild game.

This course appears ridiculous to us. How much better it would be to leave the grazing fees at the present levels and adopt policies which would encourage better use of the public lands by local people and let them in turn build up the local economy without federal help. This principle of free enterprise and self help is what made our country great and we think that the federal government should favor it instead of stifling it.

In view of these facts we wish to offer our most vigorous opposition to the grazing fee increases and ask that they be rescinded.

Senator HANSEN. Next, we shall hear from Mr. Schiavon, president, California Wildlife Federation, of Fresno, Calif.

STATEMENT OF AL SCHIAVON, PRESIDENT, CALIFORNIA WILDLIFE FEDERATION

Mr. SCHIAVON. Mr. Chairman, I shall not read my speech in its entirety. I came to Washington to attend the national meeting of the National Wildlife Federation and I have definitely been interested in this particular subject that the committee has been hearing today. I want to commend you and Senator Church for your sincere dedication and for sitting so patiently through these hearings.

Senator HANSEN. I am not unaware of the presence of the delegates to this Wildlife Federation conference here in Washington. I have some good friends from Wyoming who are here and I regret that I shall not be able to be with you tonight for your national awards dinner. I have participated in those dinners in the past.

Mr. SCHIAVON. Thank you.

I am very pleased to be here. I attended the National Grazing Advisory Board meeting in San Francisco. I see some of those members here today and I am very happy to be here myself.

The California Wildlife Federation has gone on record as supporting the Department of the Interior's and Agriculture's recommendation to increase the fees. I would submit for the record the presentations which we handed in earlier.

Senator HANSEN. Let me say, Mr. Schiavon, your statement will go into the record in its entirety. We appreciate your presence. We appreciate the statement you have submitted and it will be read by the members of the committee.

Mr. SCHIAVON. Thank you.

(The complete statement referred to follows:)

STATEMENT OF AL SCHIAVON, CALIFORNIA WILDLIFE FEDERATION

Mr. Chairman, members of the Senate Interior and Insular Affairs Committee: My name is Al Schiavon. I am the President of the California Wildlife Federation. The California Wildlife Federation has 15 affiliate councils in the State of California. These affiliates, in turn, are made up to local groups and individuals who, when combined with associate members and other supporters of the California Wildlife Federation, number an estimated 150,000 persons. The California Wildlife Federation is the state affiliate to the National Wildlife Federation.

We welcome the opportunity to comment upon the proposed grazing fee increases on public lands.

The California Wildlife Federation has gone on record to support the proposals by the Secretaries of the Interior and Agriculture to bring the fee charged for grazing livestock on public lands up to the fair market value. Our organization strongly supports the principle that the public lands of this country belong to all people and should be managed in the best overall public interest.

I will not read the resolution and attachments to this speech which explains the reason for our organization's endorsement of the increased grazing fee controversy. I don't think that anyone can disagree with the fundamental principle that commercial users of public lands or resources should pay the American people the fair value for what they use. This is the principle on which the new grazing fees have been established, and is long overdue.

There is no point in stalling for time by saying we should wait for the Public Land Law Review Commission to act, because the issues and facts are defined as clearly now as they will ever be, and Congress must act in any case. If Congress believes that some segments of the livestock industry cannot exist while paying fair market value for public forage, then Congress must consider what form of subsidy, if any, it wishes to provide for them. To disguise a subsidy to a relative small portion of an ailing industry as an "Exception" to an otherwise sound governmental principle—fair market value—is neither just nor wise.

The Western public land livestockmen have attempted to cloud this basic principle with an economic smokescreen called, "The Capitalized Value of the Grazing Permit." This is the real "Gut Issue" of the entire controversy.

I do not believe that anyone can seriously dispute the findings of the two year study made by the United States Dept. of Agriculture Economic Research Service, on public land grazing fees that have resulted in today's figures of \$1.23 per AUM as the fair market value of public forage. I am fully convinced that any objective study, no matter how long it takes or how much is spent, would come up with approximately the same figure. But the grazing industry believes that it has found a way to "end run" this problem. They say that the grazing permit value must be considered a Capital Asset of the rancher, and that the grazing fee must be reduced to compensate the rancher for this.

In other words, the public land livestock rancher is saying, "I have an ownership interest in these lands that I graze, over and above the interest of the American people!" I do not believe that Congress intends, or ever intended, to give such an interest to those who graze livestock on the public lands. The grazing permit value exists only between the buyer and seller of private land for its connected public grazing privileges. The grazing permit should not, and does not, have any legally recognized value, nor is the public ever compensated for it. If the grazing permit value is applied in this way against the fee required for forage use, there is no reason why the permit value will not rise to the point where the rancher would pay no grazing fee at all!! We would then be in the ridiculous position of providing public forage for private profit with no return to the American people—who own the land—at all.

The recognition of permit value will be the first step in giving the livestock users a vested property right in the Federal lands. The next move would be for the States to tax the possessory interest like some counties in California are

attempting to do. This would, of course, formalize the property right for the stockmen. He would own the grazing resources on the federal land and would have recreation and wildlife users at his mercy.

RESOLUTION OF CALIFORNIA WILDLIFE FEDERATION

Whereas, the Secretaries of Interior and Agriculture have proposed a grazing fee increase on public lands based on a principle of fair market value, and

Whereas, the public lands of this country belong to all the people and should be managed in the best overall public interest; Now, Therefore, BE IT

Resolved, that the California Wildlife Federation, representing 100,000 members, supports the program announced by the Secretaries of Interior and Agriculture to increase the grazing fee charges on public lands. The proposed base fee and ten year implementation schedule is fair and a reasonable arrangement for the following reasons:

1. The fair market appraisal approach to public land grazing fees has been supported by the past three National administrations. The study is long overdue. We find no need to delay implementation further nor to postpone a decision waiting for the Public Land Law Review Commission to report to Congress. The Commission, by its own statement, was not created to freeze Federal agency policy actions.

2. Low fees encourage stockmen to graze larger numbers of livestock, resulting in soil erosion and destruction of wildlife habitat.

3. Grazing fees for ranchers with average-size permits amount to 1 to 2 percent of total ranch operating costs. Twenty-four percent of the California stockmen on public lands pay a minimum fee now and will not be affected by the fee increase. Since the public lands produce only about one percent of the Nation's cattle forage, the impact on consumer beef prices will be insignificant.

4. The permit value, as identified by the fee study, *must not* be recognized as a cost of operating on the public lands. To do so would give a few stockmen a vested interest in the title to the public lands. The public lands belong to all the people, not the livestock men.

5. Present fees on public lands are substantially less than fees on similar state and private lands. Federal revenues average about one-third those received from comparable state lands; and,

Be it further resolved, that this resolution be transmitted to members of the California Congressional delegation and to the Secretaries of Agriculture and Interior and the Chairman of the House and Senate Interior and Insular Affairs Committees and to the National Wildlife Federation.

Adopted this 14th day of December, 1968.

[News release—For immediate release]

CWF SUPPORTS GRAZING FEE INCREASE ON PUBLIC LANDS

SACRAMENTO.—The California Wildlife Federation, largest conservation organization in California, went on record today in support of proposed grazing fee increases on public lands. At a special meeting in Sacramento, the Executive Board of CWF resolved to support the proposals by the Secretary of the Interior and the Secretary of Agriculture to bring the fee charged for grazing livestock on public lands up to the fair market value.

"The public lands, including National Forests and the Public Domain land administered by the Bureau of Land Management, belong to all the people, not just the livestockmen," pointed out Al Schiavon, President of the California Wildlife Federation, in announcing the support of his organization.

The Executive Board of the 100,000-member conservation organization has asked all of its affiliated clubs and councils to send letters to the Secretaries of Interior and Agriculture and to members of the California congressional delegation pledging their support of the grazing fee increase proposals for the following reasons:

"The fair market appraisal approach to public land grazing fees has been supported by the past three national administrations and a major fee study involving thousands of livestock operations. We see no need to delay implementation further nor to postpone a decision waiting for the Public Land Law Review Commission to report to Congress. The Commission, by its own statement, was not created to freeze federal policy action.

"Low fees encourage stockmen to graze larger numbers of livestock resulting in soil erosion and destruction of wildlife habitat.

"Since the public lands produce only about 1 percent of the nation's cattle forage, the impact on consumer beef prices will be insignificant. Grazing fees for ranchers with average size permits amount to 1 to 2 percent of total ranch operating costs. Today, 24 percent of the California stockmen on public lands pay a minimum fee and will not be affected by the fee increase.

"Livestockmen must not be given a vested interest in the title to the public lands and, therefore, the permit value, as identified in the fee study, *must not* be recognized as a cost of operating on the public lands. Present fees on public lands are substantially less than fees on similar state and private lands. Federal Revenues average about one-third those received from comparable statelands."

STATEMENT OF AL SCHIAVON TO THE NATIONAL GRAZING ADVISORY BOARD,
SAN FRANCISCO, CALIF., DECEMBER 18, 1968

Mr. Chairman, members of the National Grazing Advisory Board: My name is Al Schiavon. I am the President of the California Wildlife Federation. The California Wildlife Federation has 15 affiliate Councils in the State. These affiliates, in turn, are made up of local groups and individuals who, when combined with associate members and other supporters of the California Wildlife Federation, number an estimated 150,000 persons. The California Wildlife Federation is also the State Affiliate to the National Wildlife Federation. We welcome the opportunity to comment upon the proposed grazing fee increases on public lands.

The California Wildlife Federation has gone on record to support the proposals by the Secretaries of the Interior and Agriculture to bring the fee charged for grazing livestock on public lands up to the fair market value. Our organization strongly supports the principle that the public lands of this country belong to all the people and should be managed in the best overall public interest.

We believe that the program announced by the Secretaries of Interior and Agriculture to increase the grazing fee charges on public lands over a ten year implementation schedule is fair and a reasonable arrangement for the following reasons:

1. The fair market appraisal approach to public land grazing fees has been supported by the past three National administrations. The study is long overdue. We find no need to delay implementation further nor to postpone a decision waiting for the Public Land Law Review Commission to report to Congress. The Commission, by its own statement, was not created to freeze Federal agency policy actions.

2. Low fees encourage stockmen to graze larger numbers of livestock, resulting in soil erosion and destruction of wildlife habitat.

3. Grazing fees for ranchers with average-size permits amount to 1 to 2 percent of total ranch operating costs. Twenty-four percent of the California Stockmen on public lands pay a minimum fee now and will not be affected by the fee increase. To be more specific, more than 25%, or 3,800 B.L.M. Permittees, now are licensed for an average of about 12 (Head) Animal Units of feed each year. These Permittees now pay the \$10 minimum grazing fee. These 3,800 small operators will not be affected by the fee increase until about 1974. When this group is paying fair market value in 1978 their total annual bill will be about \$15 rather than the present \$10 minimum.

4. The permit value, as identified by the fee study, *must not* be recognized as a cost of operating on the public lands. To do so would give a few stockmen a vested interest in the title to the public lands. The public lands belong to all the people, not the livestock men.

5. Present fees on public lands are substantially less than fees on similar state and private lands. Federal revenues average about one-third those received from comparable state lands.

In conclusion we believe, if grazing fees can be increased to a reasonable level, more adequate appropriations should follow. That is, more funds can be allotted for range improvement, which will be good for ranchers and the public alike.

Senator HANSEN. Mr. Ben Thompson, for Dr. Sal J. Precioso, president of the National Recreation and Park Association.

STATEMENT OF BEN THOMPSON FOR DR. SAL J. PRECIOSO, PRESIDENT, NATIONAL RECREATION AND PARK ASSOCIATION

Mr. THOMPSON. Mr. Chairman and members of the committee, I am Ben H. Thompson, executive secretary of the National Conference on State Parks appearing for Dr. Sal J. Precioso, president, National Recreation and Park Association, with headquarters at 1700 Pennsylvania Avenue NW., Washington, D.C. The National Conference on State Parks is a branch of the National Recreation and Park Association.

The National Recreation and Park Association is a private, non-profit organization dedicated to the wise use of free time, conservation of natural resources, and beautification of the American environment.

Our interest in the question of grazing fees stems from the fact that the public lands administered by the Departments of Agriculture and the Interior for multiple use contain resources of public recreation value and potential, as recognized by the Congress in Public Law 86-517, the Multiple Use Act relating to national forests and in Public Law 88-607, the Classification and Multiple Use Act relating to lands administered by the Bureau of Land Management.

It seems evident to us that (1) the number of domestic livestock, cattle, and sheep, grazing on these public lands has a direct relationship to the public use and enjoyment of these lands for outdoor recreation and that (2) if domestic livestock grazing can be conducted more cheaply and profitably on the public lands than on privately owned lands, pressure to increase the number of livestock on the public lands is very apt to be greater than it would be if grazing fees were equal to the fair market value of the grazing privilege.

The more cattle and sheep there are on the public lands, consuming the vegetation, changing wildlife habitats, and frequenting the water areas, the less desirable these lands and waters become for public recreation.

Speaking from personal experience, I have been in scenic country in the West where thousands of sheep were grazing. There was no spot in this picturesque sheep range where I wanted to camp or spend any time for recreation. The sheep range and, likewise, the cattle range, are different from back country where domestic livestock do not graze. The ungrazed back country is more inviting for camping, fishing, hiking, and other outdoor recreation pursuits.

Public Law 88-607, the Classification and Multiple Use Act, defines multiple use as " * * * the management of the various surface and sub-surface resources so that they are utilized in the combination that will best meet the present and future needs of the American people * * *." Grazing fees that are low enough to encourage "permit value" transactions, tend to increase the pressure to permit more domestic livestock on the public lands, regardless of whether more such grazing is consistent with resource use "in the combination that will best meet the present and future needs of the American people."

The demand for outdoor recreation of the types found on public lands—enjoyment of open space, camping, picnicking, hiking, fishing, hunting or seeing wildlife in its natural habitat—is increasing tremendously. It will increase many times more within the next few

decades when the population of the United States is expected to be 300 million or more.

Protecting and maintaining the recreation qualities and potential of the lands is of great importance to the American people.

If the public recreation qualities and use potential of the public lands are to be protected and maintained, charging the fair market value for public land grazing permits is, in our opinion, an essential element of public land administration.

Senator HANSEN. Next, Dr. Alfred Etter, representing the Defenders of Wildlife. Dr. Etter, we are very pleased to have you here, sir.

STATEMENT OF DR. ALFRED G. ETTER, DEFENDERS OF WILDLIFE

Dr. ETTER. Thank you, Mr. Chairman.

I only want to speak to indicate that I was still here. I have enjoyed the sessions and learned a lot from what all these people have had to say.

Since I am in imminent danger and "Defenders of Wildlife" is in imminent danger of being lost on the program, might I suggest that it might be well to read our testimony first? It attempts to put some ecological sense into this whole matter and relate these various debates, some of them rather trivial, to what is happening on the land. I think by reading our discussion, it may help to clarify many of the other problems.

So that is really all I want to say.

(The complete statement referred to follows:)

STATEMENT OF DR. ALFRED G. ETTER FOR DEFENDERS OF WILDLIFE

Defenders of Wildlife is interested in public land grazing fees because of a concern about the condition of the public lands and about the wildlife, or lack of it, on these lands.

There can be no doubt that the public lands and most private lands in the semi-arid west have been depleted of their original fertility, their grass, palatable shrubs, reserves of water, seed, microorganisms, wildlife, and often even of the very parent material of the soil. There is no doubt either that this loss has been aggravated and in large part caused by poorly distributed or excessive grazing or browsing of sheep, cattle, goats, horses, deer and elk. It is not necessary to document this here. Resource libraries, such as the Denver Conservation Library, are crammed with the necessary testimonials. The question is rather what we can do about it, and whether money can bring restitution of this fertility, and if so, who should pay.

It is an ecological problem, but this should not bother you congressman, for you are the original ecologists. You are concerned about the earth as a living place. You are called upon to look at all sides of a problem. You are used to being caught up in a web of inter-related phenomena. You are certainly aware that every action has a reaction. For this reason my discussion will be an ecological one.

The reduced productivity of the public lands can be seen in records of grazing capacities, total pounds of meat produced per section, numbers of ranches, numbers of people living on the land, etc. It can also be seen by looking at an old cemetery in the middle of ranching country.

Not long ago I spent a day looking at such a cemetery. Inside, the old-timers lay comfortably at ease beneath a blanket of sod. There were plants with flowers on them, shrubs with leaves on them, soils with organisms in them, and legumes with nodules on their roots.

Outside, the new-timers didn't have it so good. The cemetery had no town anymore. The general store, the post office and the school were closed. Livestock hurried past to get to the next clubby bush. The grass was gone. The only legumes were poison ones.

What went wrong? Put very plainly, the trouble was that we took everything away and returned nothing. That has been the story of semi-arid grazing lands from the Karoo Desert of Africa to the Edwards Plateau of Texas. Palestine, parts of Australia, and parts of Mexico qualify too.

The only place that productivity persists is where the environment is paid back, where the land is fertilized, watered, and seeded. It makes no difference whether the Nile does it or an Iowa farmer—although in some respects the Nile does a better job.

I don't believe our present agricultural system is a perfect one for there is still much exploitation not compensated for, and much damage to nature which is unnecessary, but at least we can say that we are putting something back in the ground and are fighting a good delaying action. But our grazing lands in the west never get paid back. We have developed a system to borrow, but not one to return.

Under *Nature's* system, even in the semi-arid west, restitution is so effective that the land, by reinvesting every animal, every grass stem, every rain drop, every deer pellet and every worm casting, actually accumulates fertility and richness. In other words, it earns "interest". Nitrogen is contributed by the rain and legumes and is promptly deposited in an organic savings account. Phosphorous, calcium and potassium sucked from the rock or borne on dust is parlayed on longer plant roots and more leaves.

In our recent past we squandered the accumulated interest, and the capital too, on quick profits. The factories and the equipment were worn out and nothing was set aside to take care of depreciation. Little wonder the cattlemen and sheepmen are now complaining that they cannot afford to pay increased fees. The livestock lose more weight walking to a plant than they gain by eating it. In the business world this might be a tax-write-off, but in the world of nature, deficit financing is not conducive to survival. We should say, parenthetically, that we are aware that there have been reductions of stock numbers, and that some range is recovering, but vast areas are as bad as ever and some are beyond recovery.

Whose fault is it? *Everybody's!* Not just the stockman's. It is the American system to exploit and live with the consequences, depending on technology to bail us out. We have all willingly eaten the beef and the lamb, worn the leather and the wool, used the glue and the bone meal, but we have been willing to pay only what we had to pay. We bought motor cars, ice boxes, and T.V. sets instead of paying our debt back to the environment. In the process, the Rancher was duped.

Meanwhile we turned our sewage into the river and the ocean, we drained or diverted the water out of the watersheds for shower baths, car washes, steel and beer. We tore up rich bottomlands for roads and houses. That is the system. It is a human system. Man invented it. It is what makes man unique—no other creature in nature uses this system.

There is only one thing that keeps us in business today. That is the availability of cheap fertilizer, stores of underground water, and cheap energy all stored up in nature's past. Even so, the man on the ranch has not been able to afford the cost of putting fertilizers and water on his ranch. The returns are too meagre and the rest of us will not pay for it. His only choice has been to exploit.

That is the end of the story. That is what we are arguing about. We are asking the rancher to pay our debt. It is his fault that society works on the principles that it does?

Of course we must hasten to say that the rancher has been a willing tool of the system. He puts on all the stock he could to liquidate our assets as quickly as possible. He has been an accomplice. He helped rob the bank. He received "stolen goods," but we were all in on it—and now we expect the rancher to go the bail.

The answer, in ecological terms, is simple. The answer is to make the cities put their sewage back on the ranches to repay the debt. The debt cannot be repaid in money. Grama grass and cows can't use money. A \$500 bill can be digested by soil organisms in a year or two, but a one dollar bill would last just as long and yield just as much energy. The soil couldn't care less about decimal places. In the same way, the soil couldn't care less what the grazing fee is. The important thing is, how much fertility is going to be returned to the soil? Proposed fee increases, even if converted entirely into fertilizers and seed, wouldn't begin to repay even current withdrawals, let alone pay back what we owe.

Since this sub-committee has at its disposal experts who can give detailed breakdowns of the disposition of grazing fee moneys, we will not go into that detail. Let it suffice to say that by the time the funds are divided up between state

and county treasuries, various federal functions, gasoline, fence, paperwork, bridges, spring improvements, rodent control and road maintenance, precious little fee money ever makes any contribution to the revitalization of the land.

Though we have seen some very worthy demonstrational land improvement efforts, it cannot be said that we are restoring the productivity of any significant portion of the west. Increasing the grazing fee will not change this picture at all unless it is clearly understood that the *entire increase* goes back into the land instead of into conveniences for the rancher, county paperwork, and travel expenses.

Even so, the change would still be almost unnoticeable. Therefore, in addition the grazing fee should be matched by an equal contribution from the general public—and all of that should be for restitution also.

All the money must be spent on natural machinery: nitrogen and water trapping systems; nutrient release systems; systems for making rabbits and antelopes; systems for putting manures back into the soil; systems for constructing grass houses, grass gully covers, grasshoppers, grasshopper catching devices like spider webs, curlews, and mice; rodent catching devices like foxes and hawks and owls will be needed, as will garbage collecting devices like coyotes, vultures, and burying beetles. Tick removers like magpies and blackbirds should be available when needed.

If we invest in this kind of equipment, we will not build up a vast human population with a vested interest in grazing fee receipts. Such interests could, and probably would eventually destroy the grazing industry by constantly demanding increasing percentages of the fee while thwarting the ecological objectives of bringing life back to the land.

In the final analysis it may be that the only way of achieving our objective will actually be to put the sewage on the ranch, if it is not too full of poisons. We should be thinking about ecological ways for doing this. If increasing the grazing fees will make it possible, then we should increase the fees. But if we find out there is no feasible way, then we may have to stop grazing and let nature take over and start raising wilderness, clean streams, rabbits, bears, coyotes and scenery. There is a market for these kinds of things, and all the while your money gathers interest. Gates, fences, and poison signs could all come down, and we could forget all about bookkeeping.

Senator HANSEN. Dr. Etter, we appreciate your statement. I know that it has already been observed by the chairman that the most important function of these hearings will be to provide some background information, some guidance, to the respective departments, who are faced with the question of what to do about the raises in grazing fees on BLM lands and on national forest lands.

So despite the lateness of the hour, I am certain that your statement will receive full consideration along with all the others that have been made as the Departments of Agriculture and Interior review this record in an attempt to get a guide from the hearings as to what course they might best pursue in the public interest.

We thank you for your presence and thank you for your statement.

Dr. ETTER. Thank you.

Senator HANSEN. Mr. Pankowski, conservation associate of the Izaak Walton League—is Mr. Pankowski here?

Senator HANSEN. I assume Mr. Pankowski had to leave. Let me say that we have his statement. It will be included in its entirety in the record.

STATEMENT OF TED PANKOWSKI, CONSERVATION ASSOCIATE, IZAAK WALTON LEAGUE OF AMERICA

Mr. PANKOWSKI. Mr. Chairman, members of the committee, I am Ted Pankowski, conservation associate for the Izaak Walton League of America. The league is a national organization of citizens who share the conviction that America's natural resources ought to be used wisely

for the benefit of the Nation. For some time, we have shared with other citizen organizations, governmental agencies and stockmen deep concern over maintaining grazing fees on public land at 65- to 75-percent below fair market value, and we are appreciative that your committee has provided an opportunity for us to express our views here today.

I might mention at the outset that the league's concern nationwide was the result of the work of our colleagues in the Western States, men who know stockmen and their problems and who have watched the controversies over the public domain for the last several decades. Our general conclusion, Mr. Chairman, is that there would not have been a controversy over the new fee schedule at all had certain interests finally recognized, along with the vast majority of Americans, that the lands they are using and renting belong to all of us and that law and equity require that we receive a fair return on them.

Since November 1968 when the Departments of Agriculture and Interior announced the new fee schedule we have heard it described as "absurd," "unjustified," "arbitrary" and so forth. The league can't buy this assessment, and we don't believe that a majority of the public, including most stockmen, have bought it either. It appears that some stockmen interests are intent on locking up public resources for a single use and for their own advantage under conditions they claim they have a "right" to prescribe.

It is significant to note the lengths which both the Forest Service and the Bureau of Land Management have gone to insure that the economic impact of the new fees would not bring hardship to the industry. The "1966 Grazing Fee Study" covered 98 national forests, 19 national grasslands and 48 BLM grazing districts in 17 Western States, involving some 10,000 actual interviews and some 14,000 questionnaires. It included permittees on forest and BLM lands as well as grazers on private property. Representatives from western universities, the livestock industry and financial institutions were also included. The proposed regulations were reviewed by district advisory boards, the National Advisory Board and by a Special Fee Committee of the Council, and whatever the interpretation of the result, no reasonable person could view that decision as being "arbitrary." In fact, the league believes that it was exhaustively considered and was long overdue.

Postponement of the new fees could have only encouraged a continuation of the attitude by some grazers that public grazing lands are their private domain. Postponement would have limited the options of the Public Land Law Review Commission to make meaningful recommendations for the wise and orderly management of these lands. It would have been an admission on the part of the U.S. Government that a small percentage of one industry could continue to dictate their own terms for their continued use of public property.

Some very thoughtful and dedicated men have raised the question whether the new fees actually reflect fair market value and whether they will drive the small grazer off the range. These are valid questions, but the league believes they have already been answered.

The 2 year study by the USDA's Economic Research Service, which has been acknowledged as the most comprehensive study ever conducted on the economics of public grazing lands, indicated that only 2 percent of the Nation's grazing stock use public lands; that of the

14,000 BLM permittees, only 5 percent control 52 percent of the acreage; that 11 percent control 74 percent; and that the fees charged for using public lands, no matter how you cut it, were \$14 million a year less than fees for comparable services on private property. These figures indicate to us that someone other than the small producer is benefitting from this subsidy. In fact, the small grazer, particularly those without public grazing land available to them, have been put in a position of having to compete against larger holdings which have the additional advantage of the bulk of public acreage. Further, our western league members report to us that this \$14 million annual subsidy, in the form of permit values, is being bartered, subleased, sold, used as collateral and subjected to every type of financial transaction which are commonly reserved for title instruments.

The league believes that the interests of the American public, particularly those who have the privilege of using public lands for grazing and other worthy purposes, are served best when false economies are eliminated from the management of our public domain.

Mr. Chairman, I would ask your permission at this time to include in the record a thoughtful letter to the editor of the Wyoming State Tribune written by Mr. Burton W. Marston; Mr. Marston served as chairman of the league's public lands committee and is now a league national director from the State of Wyoming. I also ask to include a resolution adopted by the Wyoming division of the Izaak Walton League on December 7, 1968. The resolution, Mr. Chairman, is typical of resolutions adopted by all of our Western State divisions.

Thank you for the opportunity to comment.

Senator HANSEN. Mr. Don Fraker, director of the National Association of Soil and Water Conservation Districts, was forced to leave. His statement will be included as if read.

STATEMENT OF DON O. FRAKER, DIRECTOR, NATIONAL ASSOCIATION OF SOIL AND WATER CONSERVATION DISTRICTS

Mr. FRAKER. I want to thank the members of this subcommittee for the opportunity to present the views of the National Association of Conservation Districts on the recent increase in grazing fees on lands administered by the Forest Service and the Bureau of Land Management.

The National Association of Conservation Districts (NACD) represents more than 3,000 local conservation districts organized under State laws in all 50 States, Puerto Rico, and the Virgin Islands. The purpose of these districts in every State is to develop and carry forward an affirmative program for the protection and improvement of the natural resources within the boundaries of the district—using and coordinating all the available assistance from State, Federal and private sources. Nearly 18,000 men and women serve without pay as the governing officials of these districts. Approximately 2 million landowners and operators are cooperators in district programs for conservation and resource development.

In the 17 Western States—and particularly in the 11 Western States—conservation districts have a special concern for the quality and management of the public lands. Although there are very large blocks of federally owned lands, it is also true that substantial areas

of public lands are intermingled with privately owned lands. Through the permit system, several thousands of landowners use—and depend upon—the grazing they obtain from the forage on BLM and Forest Service lands.

The better the forage and water supplies and management on the public lands, the more likely the private farmers and ranchers are to make an acceptable income—and also invest in the maintenance and improvement of the public lands they use.

The better the income of the farmers and ranchers, the more likely they are to invest—also—in the protection and development of their own land, water, wildlife, and related resources.

Our concern in the NACD is for the protection and wise use of the public lands. Like everyone else, we want to see these lands managed in ways that will yield the maximum public benefits, not only during the rest of this century but for the long years thereafter. In our opinion, the increase in grazing fees will hurt rather than help the conservation and wise use of the Nation's western public land resources.

We are not here to offer economic data on the effect of the increased grazing fees on the livestock industry. We do not come before you armed with statistical evidence or in-depth studies made throughout the West. What we do present is the composite judgment of conservation district leaders in the West, as it has been developed in local, State, regional, and national meetings over the past several years with respect to grazing permits and grazing fees—and the effect of these permits and fees on conservation and resource management.

There are a number of judgment statements I would like to offer on behalf of our Association—

1. Over all, grazing users of public lands in this part of the 20th century improve rather than exploit and damage these lands. If for no other reason, it is in their selfish interest to do so. The era of the ruthless, destructive cattle barons who exploited the land is more a matter of history than present-day fact.

2. It was part of the intent of the Taylor Grazing Act to enlist the active participation of permittees in the management and improvement of public lands. Federal appropriations for conservation and improvement of BLM rangelands have never been commensurate with demonstration needs. It has seemed quite evident, for the past 20 years or more, that the Federal Government was depending—to some extent, at least—on the financial input of private landowners to help with the protection and care of these lands.

3. It is a basic truth, we believe, that conservation and good management of natural resources do not thrive in a climate of economic adversity. A permittee making a reasonably satisfactory net income is likely to do a better job of conservation and public land improvement than a permittee who is just barely able to keep one jump ahead of his creditors. To the extent that increased grazing fees jeopardize the financial capability or reduce the incentive of the permittee to invest in public land conservation and improvement, to that extent the increased fees operate against the public interest. In our judgment, the increased fees—by the time of the 10th increment—will have jeopardized financial capability and reduced incentive on the part of thousands of bona fide ranchers, especially the relatively small ones.

4. There has been much discussion of the status of the grazing permit. The law prohibits the emergence of a vested or proprietary right in a permit to use the public lands. Yet the widely recognized fact is that permits associated with a unit of private property have steadily appreciated in value and have tended to stay with that unit of private property over many years of time. This is more particularly true of permits to graze public domain than permits to graze national forest lands.

It can be argued that the system, as it stands, is a good one. It has tended to foster stability, not only in the grazing industry, but in regard for the land and its related resources. A rancher with some reasonable assurance about his future is more likely to invest attention and money in both his own and the public lands, than an operator who must function largely in the dark from year to year.

To paraphrase Winston Churchill, the present permit system may have its flaws, but where is the better alternative?

5. The concept of "fair market value" as a basis for establishing a schedule of fees for public land forage is deceptive and unrealistic. It implies the existence of a "market" of some kind and conjures up the picture of men bidding against each other in a marketplace for annual permits, or shopping around for choice areas of public land forage. This doesn't happen, of course, and in our judgment it would not serve the public very well if it did. Annual bidding and shopping would probably yield a somewhat higher revenue to the Treasury but it would be obtained at the cost of social and economic instability in the rural West as well as an almost certain return to the destructive resource exploitation of the past century. An annual user would most likely try, as the saying goes, to get his "money's worth."

What makes a permit valuable under the unique system we use for the public lands is that it provides the permittee with access to certain specified forage at a lower cost than he would pay for the same amount of forage contracted from a private owner. The public expects and generally gets from the permittee some substantial resource gains, such as water developments, fence installation and maintenance, seeding, weed control, deferred and rotational grazing, improved wildlife habitat, and so on. In the case of a private land forage contract, however, the owner is customarily expected to provide not only the forage commodity but the basic accompanying facilities: improvements such as fencing, water, and roads.

The first phase of the proposed 10-phase increase in grazing fees has been set in motion. During the coming months the first reactions to the increase will become evident. Also in the months ahead, the Public Land Law Review Commission will begin to make known its findings and recommendations.

Conservation district leaders at the grassroots in the West urge that steps be taken this year to bring about a moratorium on further increases in grazing fees until the "fair market value" concept can be reexamined and the findings of the Public Land Law Review Commission can be studied. In our judgment, new measures and new concepts may be necessary to deal effectively with public lands as they relate to changing patterns of land use, shifting population, increasing water demands, and the need to sustain a vigorous livestock economy in the West.

Senator HANSEN. Mr. Victor Hanson, Jr., president of the Colorado Cattlemen's Association had to leave the hearing. His statement will be included in the hearing record as if read.

STATEMENT OF VICTOR HANSON, JR., PRESIDENT OF THE COLORADO CATTLEMEN'S ASSOCIATION

Mr. HANSON. My name is Victor Hanson, Jr. I am president of the Colorado Cattlemen's Association and a member of the Colorado Cattlemen's Association Federal Lands Committee, 4675 LaFayette, Denver, Colo. I own and operate a ranch at Walden, Colo.; 4,136 cattlemen and feeders are members of the Colorado Cattlemen's Association and are affiliated with Colorado's 72 local cattle associations.

The Board of control of the Colorado Cattlemen's Association has requested that I represent the association here today and represent in particular 2,840 Federal land permittees of Colorado. Colorado Federal land permittees for the most part are small family sized units. The average stockman who runs in conjunction with the Federal land permits has an average of approximately 287 head.

Annually, the U.S. Department of Agriculture statistical reporting service prepares parity figures for our association. These annual reports, since 1951 through 1968, show that the Colorado producer has operated under conditions whereby he has received less than 100 percent parity. In the last 5 years his parity figures have ranged in the 70 percent bracket. In 1968 Colorado's parity figure as shown by the U.S. Department of Agriculture Statistical Reporting Service was 77 percent of parity. Throughout this period we have had skyrocketing costs with livestock prices remaining constant. For the majority of our producers in Colorado, and this is particularly true of our permit operators, it has been nip and tuck whether or not we can stay in business.

As president, I have had an opportunity to talk to many of these permittees. Unless you have personally had this opportunity, you can't imagine the sincere concern that was generated when grazing fee increases were announced in the January 14, 1969 issue of the Federal Register. Since this date, we have held numerous meetings throughout the Federal land areas of Colorado. Reviewing the basis of these proposed fee increases and how they came about, our association has taken a unanimous stand in objecting to these increases, as well as the method used in determining these increases.

When the 1966 Western Livestock Grazing Survey was proposed, our industry in Colorado realized that attempting to develop a formula to compare forage values under the permittee system with forage values of private deeded land was going to be extremely difficult since it is like comparing oranges and apples. When a man leases pasture on deeded land he does so with certain guarantees, such as definite grazing period, many times a guaranteed gain per month, maintenance of fences, water development, guarantee from death loss and many other factors. When a stockman assumes a permit he doesn't have any of these guarantees. No one assures him of a guaranteed monthly gain or a guarantee against certain death loss. He takes his chances as to the grazing period, develops his own water, etc. Besides these factors, cattlemen just can't go out and lease a permit like they would lease a deeded land pasture.

First of all, before he can qualify for a permit, he must have a designated number of acres of commensurate property or base property. In addition, he must meet a number of other requirements that a private lessee doesn't have to meet. Since this commensurate or base property is tied to the permit, the property tax on his base property is much higher than if he operated under private conditions as in eastern Colorado. He has to maintain and develop adequate water, he must maintain fences and manage his cattle in conjunction with multiple use on the Federal land he uses. For example: Our public domain or BLM land in Colorado was of little economic value until stockmen were encouraged by our Government to settle these areas, develop our base properties and to develop improvements such as water development, grass seeding, etc. on our public domain. In most cases these developments were paid by the user who in return had only the privilege of harvesting the forage at a fee.

Referring back to the 1966 western livestock grazing survey, our industry felt that the points agreed to between the user and the Government agencies would be sufficient to adequately and favorably compare forage values on Federal lands and deeded lands. From our studies, when the Federal agencies, after the survey was completed, deleted certain items, it completely distorted the comparison between these two types of grazing situations. We feel the results of the study established that, based upon a comparison of total nonfee public and private grazing costs for Bureau of Land Management lands, an average fee increase of 10 cents per AUM, or a 30-percent increase appears to be justified by equating the current fee levels with the full economic value of the forage for BLM. However, the study did not reflect most of the costs to the permittee of providing public benefits.

Similarly, in contrast to the statement by the U.S. Forest Service, the results of the 1966 western livestock grazing survey failed to justify any increases in Forest Service grazing fees. In fact, the study established that Forest Service permittees on the average were paying more than full economic value for an AUM of forage in 1966.

Therefore, if all points of comparison that were originally established, would have been followed in establishing a new fee structure by our two Departments, we would have been comparing like situations which would have resulted in a fair fee structure under which the industry could survive. As it stands today all the factors obtained in the 1966 survey were not all followed, resulting in a fee structure that is disastrous to the industry.

We feel that the economic impact that will be brought about if the present two Departments' philosophy by which they established their present fee structure becomes an accepted fact, would be as follows:

A. A net decapitalization or a 30- to 50-percent loss in equity of our real property including a total loss in market value of our grazing permit which has been capitalized into our total ranching operation would be a reality. Such reduction in real property values would break present land values because potential buyers of these ranches could no longer justify paying the price which they have in the past, simply because of the increased costs of production and reduced loan value that would result from the nonrecognition of a grazing permit.

B. A substantial loss in ranch equity and increased operating expenses, resulting from the failure to recognize the dollar value of

the permit as a cost of running livestock on Federal lands, would force many range livestock operators to liquidate, forcing in turn livestock lending institutions involved to critically evaluate whether they could justify extending short-term, intermediate, or long-term credit to livestock operations dependent upon the use of Federal grazing lands any longer.

C. This grazing fee proposal would result in the loss of millions of dollars to local businesses and governments, dependent upon a healthy and economically stable livestock industry.

We in Colorado appeal to the two Departments, Interior and Agriculture, to suspend or delay portions of the new regulations which set automatic fee increases beginning 1969 and thereafter. We are looking to this committee and to Congress with help of recommendations from the Public Land Law Review Commission to provide updated legislative guidelines relating to grazing fees, tenure, access, and the many other complex issues affecting the future of the western livestock industry and the local communities and counties which depend on the livestock industry for a great part of their existence.

We appreciate this opportunity to express the thinking of the Colorado livestock industry and appeal to this committee for an adjustment in this fee structure that will allow our industry to exist in the future and in particular during this crucial time of low prices. Thank you, Mr. Chairman.

Senator HANSEN. Mr. Walter Boardman is next.

STATEMENT BY WALTER S. BOARDMAN, WASHINGTON, D.C.

Mr. BOARDMAN. Mr. Chairman, I am Walter S. Boardman, residing at 3001 Veazey Terrace NW., Washington, D.C., and I am appearing before you as a private citizen.

It would be repetitious to review the history of the change in regulations published January 10, 1969, and further identified as 43 CFR 4110. It would be presumptuous to attempt to pass judgment upon the recommendations that were made to the Secretaries of Agriculture and of the Interior. Certainly all who worked upon these are to be commended.

My concern is with the forces that are endeavoring to upset these regulations. To illustrate, I would like to quote from a letter sent out by the Nevada Committee for Western Industry Organization:

We are first going to concentrate on the immediate grazing fee issue, with all the help we can muster. Second, we plan to obtain legislation in Congress, which will provide security of tenure and intelligent range management.

We must consolidate our forces in all Western States, quickly and effectively. Experienced livestock men and others are now organizing throughout the 11 Western States. Western Industry Organization is negotiating with two of the best law firms in the United States to represent the livestock men who operate on public lands, with respect to the grazing fee issue and other matters. Also, contacts will be made, immediately, with nationally recognized economists. The economists will be employed to aid in developing a factual case for the livestock industry. A top public relations staff is also being recruited.

To do the job it will require a large amount of money. It has been determined that it will be necessary to assess each livestock operator a minimum of 5 cents per AUM, for all AUM's adjudicated on all BLM and forest lands.

While I can appreciate the desire to make the maximum profit by those who are using the public lands for this purpose, it must be

pointed out that these are lands belonging to all the people and their administration has to be in the public interest. It is neither fair nor good administration for the land users to decide what they want to pay for the privilege.

Senator HANSEN. Mr. Donald Aldrich, executive secretary of the Montana Wildlife Federation. Is Mr. Aldrich here? His statement will be included.

**STATEMENT BY DON ALDRICH, EXECUTIVE SECRETARY,
MONTANA WILDLIFE FEDERATION**

Mr. ALDRICH. I am Don Aldrich, executive secretary of the Montana Wildlife Federation. We believe that federally owned lands are the key areas available for optimum wildlife and recreation production. It is our desire to protect the quality of these lands and to insure our privilege to use them. We support the Secretary's new regulations and would like to have my statement, our policy, and other materials I will provide you entered into the minutes of the hearing.

We are not alone in our desire to strengthen grazing fee regulations. A dissenter at a recent convention of the Montana Wool Growers Association pierced the conscience of his colleagues when he asked how they could in conscience denounce the Government's gradual grazing fee increases when they were charging more than twice as much on their private property.

A Montana study showed that the fees paid for comparable forage on private lands ranged from three to 10 times that paid on public lands.

The lowest bid received by the Bureau of Land Management for forage at Fort Mead near Sturgis, S. Dak., last week was \$2.40 per AUM. The average was approximately \$4.50 and the highest bid was \$8.59.

Despite criticism of fee increases, it is obvious that the most concern is directed toward the public land grazer's insistence that "permit value" be recognized and capitalized.

Permit value developed because of the very low fees that have always been charged for forage on public lands and the absence of competitive bidding. In other words, low forage costs and the guarantee of no competition are valued by ranchers, and they are willing to pay premium prices for it.

Those grazing on public lands say they support the concept of fair market value. But they insist that the Federal Government capitalize permit value at 6 percent a year in perpetuity. This would be subtracted from the grazing fee. In the case of the proposed \$1.23 base fee for public land grazing, 86 cents (6 percent of \$14.50) would be subtracted, leaving a grazing fee of 45 cents. If the permit value increased to \$22.17 a cow month, the permit holder would pay no fee. Carrying this approach further, in theory, any higher permit value could end up with the Federal Government actually paying a rancher to graze livestock on the public lands. I suggest that any such arrangement is untenable and grossly unfair to the American taxpayer.

Thousands of operators running livestock on public lands paid nothing for their permits. By the accident of being there, they acquired

permits when the range was divided. How do we separate these operators? Should they be paid for permits they got for nothing?

The low grazing fee on Federal range has encouraged widespread, legally questionable subleasing. For example, in the eastern Montana BLM grazing districts of Billings, Lewistown, Malta, and Miles City, over 50 percent of the BLM forage that is sold is subleased. In the Lewistown district alone, it's over 90 percent. The rates charged for this forage range from 10 cents to \$4.42 per cow month more than that charged by BLM. In other words, about 60 percent of the BLM forage in eastern Montana goes to the individual livestock operator through middle men and organizations at rates up to 14 times the BLM rate.

In the past 2 years, one banker has purchased four ranches with sizable public land grazing permits. He doesn't run a cow. Instead, he subleases for an average of \$4.25 per cow-month. He pays nothing toward the purchase of those ranches. What he makes from subleasing Federal range carries the payment. If this were an isolated case, I would not be too concerned. But I am sure that there are a number of similar cases. My point is—should public grazing be stabilizing the livestock industry, as intended by the Taylor Act, or should it be lining the pockets of a growing number of middle men? And, if we're going to continue to finance the subleasing people with public grass, should not Uncle Sam be getting a larger share of the "action"?

Through the sale of forage to State grazing districts in Montana, who in turn sublease to individual operators, Federal lands provide over \$100,000 a year to support State grazing district and Montana Grass Commission costs. In turn, these funds are regularly used to organize and lobby against the Federal agencies. How long should the American taxpayer permit this to continue?

A well-documented case is the Piceance Creek area of northwest Colorado where permittees pay about \$11,500 annually for grazing fees on 280,000 acres of BLM land and then collect \$17,500 from hunters in the fall for "trespass fees" on these same BLM lands. (USDA, Misc. Public. No. 1122, December 1968.) We suggest that public land belongs to all of us and we further suggest that continued exclusive use by a minority will be somewhat dependent on the attitude and responsible action of current users.

Last December, BLM Advisory Committee in M2 and M3 districts in Montana not only agreed that a move toward a reasonable fee was warranted, but they also approved the increase of 9 cents per cow-month per year for at least 5 years. Additionally, they approved tying the computation of the fee to the average price of private forage.

These two boards represent about 1,200 eastern Montana ranchers that use the public lands.

A number of prominent livestock operators have told me that they oppose what amounts to the continued subsidizing of a small minority of the livestock industry. They also say that low fees for a few perpetuate unfair competition with the stockgrower who has to pay taxes on his deeded land and market prices for grazing leases. As one rancher with no public lands told me, "I get socked twice by the low public land grazing fee. Not only do I have to compete against low-priced grass, but my private lands have to carry higher taxes because there are not taxes coming from the public lands."

County officials, hard pressed in their search for new sources of revenue, expressed support for the increase. Because they share in Federal grazing receipts, they see a possible fourfold increase in money coming to the counties in lieu of taxes. They also see a possible four-time increase in the range improvement fund, which benefits local economies through rangeland developments. In the legislation that has been introduced to force recognition, or capitalization, of permit value, has consideration been given to what will happen to the in-lieu payments going to the State and counties? Is the Congress prepared to reduce or eliminate moneys that are particularly critical to counties with heavy concentrations of public lands? Surely increasing permit values and fixed capitalization on rates would have to reduce and, eventually, eliminate the base from which in-lieu payments are derived.

Several Senators and Congressmen have indicated that the Taylor Grazing Act should be amended. I suggest that any amendment of the act at this time might be premature. Has not the Public Land Law Review Commission specifically been charged with the task of reviewing this act for adequacy? But if the act is to be opened to amendment in advance of the findings and recommendations of the Land Law Review Commission, then I urge that the job not be done piecemeal; that the entire act be tested for adequacy in light of the challenges of 1969. To this end, I urge committee consideration of the following:

1. With few exceptions today, "Uncle Sam" receives fair market value for his resources. Timber, oil and gas, gravel, and land sales are by bidding with fair market value as a base. Even copies of records are sold at fair market values. Royalty payments, when appropriate, are in line with those being received in the private sector. Is it not time for the American taxpayer to receive fair market value for public land forage resources also? I urge that any amendment of section 3 of the Taylor Grazing Act clearly establish fair market value as the only basis for the sale of public forage.

2. There is a need to clearly establish that public lands are publicly owned for public use. Such is inhibited by section 18 of the Taylor Act, which limits district advisory board composition to stockmen and one wildlife representative. No other interests can be represented. If the Taylor Act is to be amended to benefit all Americans, it should provide for bona fide multiple-use advisory boards at the district level.

3. Section 6 of the Taylor Grazing Act clearly prohibits any restriction of public ingress and egress to the public lands. Yet millions of acres are effectively barred to public use by interspersed private lands; illegal posting bars access to millions of additional acres. If public lands are to become truly public, then the Taylor Act, possibly section 6, should require the guarantee of public access as a requisite to the granting of a lease, license, or permit.

4. If the Taylor Act is to be amended to recognize permit value, I urge that this committee—

- (a) Develop a means to identify those who paid nothing to acquire their permits and eliminate them from consideration for compensation;

- (b) Provide for the compensation of those who purchased permits, such compensation to be limited to permit value at the time of acquisition; and

(c) Authorize the appropriation of sufficient money to purchase all outstanding permits, and thereafter offer all public land forage for sale through bidding at public auction.

5. Section 10 of the act appears to be badly in need of amendment. It establishes different percentage returns to the States in lieu of taxes for different classes of land. In turn, these differ from the in-lieu formulas for Bankhead-Jones and Forest Service public grazing lands. Moreover, these returns to the States are generally far below that being realized from taxes on comparable private lands. The result is that many western public land counties suffer from inadequate schools, roads, and other essential public services. I suggest an urgent need for standardization and an increase in the percentage of the grazing receipts being returned to the States. I recommend that the one-third portion of the fee that goes to range improvements be continued. Of the remaining two-thirds, I recommend that half be returned to the States in lieu of taxes.

(A further statement, submitted by Mr. Aldrich, follows:)

POSITION OF THE MONTANA WILDLIFE FEDERATION ON THE PROPOSED GRAZING FEE INCREASE FOR PUBLIC LANDS

The Montana Wildlife Federation reiterates its position that the return from the sale of public land resources, whether they be coal, oil and gas, timber, minerals, or forage, should be based upon the concept of fair market value. The Federation also believes that the public lands truly belong to the people of the United States, and that they should be managed under the principles of multiple use to best serve all of these people. The Federation believes also that a vital part of such a policy is the requirement that no user shall be able to gain or claim a greater title than any other in the public lands. At the same time, it recognizes that an increase of payments in lieu of taxes is essential to those areas with concentrations of public lands.

In consonance with the principles stated above, the Montana Wildlife Federation concludes and recommends as follows in regard to the proposal of the Secretaries of Agriculture and Interior to increase the fee for grazing upon the public lands, and to establish fair market value as the criterion for establishing such a fee:

1. The need for a grazing fee increase is recognized.
2. The Federation is not concerned per se with the specific amount of the proposed fee increase, except to the extent that it leads to a fair market value return for public land resources.
3. The tying of the grazing fee formula for public lands to the average price of forage on private lands in the eleven Western states is a sound and valid approach to achieving fair market value.
4. Recognition of permit value is prohibited by Section 3 of the Taylor Grazing Act, and recognition of such a value, if it exists, is not only contrary to law, but would amount to acknowledgement of an ownership or "right" of one segment of the population transcending that of others, over and above the privilege to graze domestic livestock. The idea or concept of "permit value" therefore must be rejected if public lands are truly to remain public.
5. The percentage of the public land grazing fee returned to the states in lieu of taxes should be standardized for all classes of public land, and should be increased so as to provide badly needed additional support for public roads, schools, and other public services in those areas where concentrations of public lands exist. The one-third portion of the total fee going to range improvements should be continued; of the remaining two-third portion, 50 percent should be returned to the states in lieu of taxes.

Senator HANSEN. Let me say that we may not have Mr. Aldrich's statement here at the moment. As the chairman has already advised you, the hearing will remain open for 10 days for the submission of statements, and we shall see that Mr. Aldrich's statement is included if he has a formal statement to present.

Mr. Whitacre called my attention to the fact that these hearings, as quickly as can be following the expiration of the 10-day period of time in which additional statements may be submitted, will be printed and all of you who have participated will receive copies of the hearing.

Is there anyone else to be heard?

Let me say that we appreciate your patience. I think the contribution that has been made by each of you these last 2 days has been important and significant. I think that it will serve the purpose that Senator Church and I and others had in mind in requesting Senator Jackson to schedule hearings. I believe an excellent record has been written and, on the basis of that record, I feel certain that the departments will be better advised and better informed in making the decisions that will be theirs to make.

If there is nothing further to come before the committee, we shall stand adjourned.

(Whereupon, at 6:10 p.m., the committee adjourned.)

APPENDIX

(Under authority previously given, the following statements and communications were ordered printed:)

STATEMENT OF ROLAND C. CLEMENT, VICE PRESIDENT, NATIONAL AUDUBON SOCIETY

To the Senate Public Lands Subcommittee: We at the National Audubon Society hope these hearings will make it clear that the recently announced increases in grazing fees for public lands are justified—indeed they are the culmination of a decade of federal study aimed at establishing a fair return for the use of public lands. Further, we hope this airing of the issue of grazing fees will clearly indicate that the increases should stand and that no new legislation is called for.

The new fee schedules are a recognition that ALL of us—not merely the small percentage of ranchers who now use them—have a vested interest in these lands, in seeing that they do indeed remain “public” and that good conservation practices are followed on the lands.

As a conservation organization, we are concerned first about how these public lands are maintained. We have long been disturbed by reports of overgrazing and erosion, and of consequent declines in wildlife populations. Three-fourths of our public lands are in poor condition. They will remain so as long as a few persons enjoy the advantage of cut-rate grazing fees—fees so low that they make good range management financially impossible.

I have spoken of the privilege accorded a few and I am sure that all of us who testify in favor of keeping the new fee schedule will point out that this is indeed the case—despite the fact that the livestock interests would have the public believe that the new fees would bring financial ruin to a whole industry.

The figures don't bear this out. Of all the nation's livestock, only two per cent grazes on public lands. And the cost of forage is only a small fraction of a rancher's expense—usually less than five per cent. The BLM grazing fee study that served as a basis for the new rates showed that, even of this minority of ranchers who do use public lands, only 10 per cent (to be precise 11.4 per cent) use three-quarters of the forage.

As for the supposed financial hardship that the industry protests: The BLM study has taken into account the fact that raising the grazing fees up to the fair market value in one year would indeed be a hardship—largely because they have been so low for so long in comparison with the going rate. Only 33 cents to graze one animal for a month, instead of a calculated market rate of \$1.23. Spreading this as 10 per cent annual increases over a 10-year period seems more than fair. So does the plan to calculate the basic grazing fee each year from the average of rental rates for private forage in 11 Western states.

In addition, the BLM study points out that 25 per cent of the ranchers using the lands would have no fee increases for at least half a dozen years—because they graze so few animals that they are charged only a \$10 minimum fee. Eventually this would go up to \$15—surely not out of line.

My last point concerns the underlying reason for objections to the new fee schedule. The industry has pegged its plea for a rollback on the grounds of financial hardship. But what really is at stake is the perpetuation of a situation that gives a handful of ranchers what amounts to a capital interest in federal lands. I mean the so-called “permit value” that attaches to ranches, which, over the years, have held extensive grazing rights on public lands.

This permit value allows a rancher to value and to sell his property at far above the going rate for the land itself—an average of \$14.50 per animal month—all because the land comes with what some ranchers are beginning to look upon as a right rather than a privilege, access to an enormous acreage of cheap forage on public lands.

What's more, under the Taylor Grazing Act, this is illegal. We think it is time this practice be recognized as beyond the law. And it is not the law that needs changing. Only by keeping the Taylor Act intact, and by continuing with the newly instituted grazing fees, will we assure that our public lands remain public, that there will be an end to what amounts to government subsidy for a few favored stockgrowers, and that there will be the additional needed funds for sound range management. In the last case, we feel sure that when grazing fees go up, appropriations for range improvement will go up too.

STATEMENT OF ELDON A. ELIASON, MILLARD COUNTY ATTORNEY, FOR THE MILLARD COUNTY COMMISSIONERS, UTAH

The Millard County Commissioners being deeply concerned for the economy of the area, and realizing that livestock and agriculture is the center of our entire economic future, have asked to be prepared and submitted this report in opposition to an increase in grazing fee and hereby represent that the report expresses the sentiment of the communities, the industry and the populous of the area.

The report and study is prepared by Millard County Attorney and does present our opposition to any grazing fee increase as was adopted by the Secretary of the Interior and the Secretary of Agriculture. The increase was supposedly justified by a study wherein the comparison of grazing fee charges on private lands was made with the grazing fee charges on the public lands. It was reported that the cost for use of private lands for grazing was \$1.31 more per AUM than the cost of the grazing fee on the public lands. It was readily acknowledged, however, by the study report that the cost of the grazing permit was not included as a part of the cost for grazing the public land. If the cost of \$14.41 per AUM permit price were capitalized as a part of the public lands operation, then obviously, the costs of grazing per AUM on the public lands would equal or exceed the costs of grazing on the private lands, where in fact, the current holders of permits in the State of Utah, have invested an average of \$14.00 per AUM in BLM permits and an average of \$25.00 per AUM invested in Forest Service permits. This permit cost factor alone would dictate that increase in grazing fees is unwarranted and very unrealistic, but there are other factors which render the increasing of the grazing fee even more inadvisable and would characterize such an increase in fee as being reckless and inconsistent with the other governmental programs.

It should be pointed out at the outset that the public grazing lands, particularly in the Western Rocky Mountain area, and more particularly in the Fillmore Grazing District of Millard County, Utah, are different than the private grazing areas which have been taken up earlier by private investors because of special natural advantages, either in water potential or forage growth.

It should be pointed out that most of the public grazing areas, particularly in the Western Rocky Mountain regions, are unsuited for any other purpose. Many of the lands are impregnated with either alkaline, or salt saturation of the soil, or the soil is heavily laden with a volcanic ash. The public grazing areas in Millard County, Utah, are not susceptible to further development, and no appreciable change is likely to occur in the vegetative growth of the area. This is mainly because the annual measured precipitation from the weather gauging station of the area reveals the annual precipitation ranging from 4.38 inches in 1965, 5.15 inches in 1961, 6.72 inches in 1963 to a high of 6.75 inches in 1967. And a factor which is not considered by the study, as reported, is that a maximum of development in most of this area has already been made by the individual permittee in capturing and utilizing the moisture available, in the construction of ponds and reservoirs, troughs and wells and in fencing. Such developments also require maintenance cost to the permittee.

In addition to the grazing fee not considered as an expense or cost on the public range are such additional factors as travel and trucking costs, death losses due to various range disadvantages, herding and round-up costs, grazing association fees, the maintaining of fence and water development and similar improvements to make the range suitable for even minimum use. With the amount of rainfall affecting as it does, the vegetative growth of the range and the use that may be made for grazing purposes, the permittee is required during drouth periods to gather livestock from the range or haul the water to the range to sustain the animals being grazed thereon. It is not uncommon for permittees in the Western Rocky Mountain area, particularly, Western Utah, to subsidize their

grazing privileges by either hauling feed to the range or removing certain of the animals to private pastures in the more desirable areas.

This voluntary withdrawal of the use of the public range is of even less serious concern to the rancher and permittee than is the forced cut of numbers or even the indefinite tenure with which the permittee must contend. Most all areas have taken a cut in numbers and some as high as 70 to 75%. If the public land is not such that grazing fee should be increased, it is not realistic to, at the same time, greatly reduce its value making forced cut in number.

The insecurity of the operation itself renders the use of the public lands far less valuable than is the private lands where the security, tenure and the use are a definite factor to be relied upon by the rancher.

A matter to which the study committee was apparently oblivious is an economic factor which has spelled the success or failure of any business enterprise. In the economic struggle in the business world wherein public service or public convenience is a factor, rate making agencies, namely the Interstate Commerce Commission, nationally or The Public Service Commission, locally, are required to determine, after a comprehensive study, involving the costs of operations, a fair return or income based upon the percent of investment and usually a 6 to 10% return on investment is allowed to utilities, and such companies being controlled in part by the government agencies who impose rates or fees based upon such percent of investment and operation.

A comprehensive study has been made by farm economic research services and such established institutions at The Utah State University, The Montana State College and Arizona State University. It was not unexpected when the findings revealed a wide variation of percent of income on invested capital and operational costs in the various grazing areas of the country. The return on investment in areas like the Northern Great Plains areas was considerably larger, and in most instances, nearly double, some of the Western Rocky Mountain regions, particularly of Western Utah and Eastern Nevada. There was also a variation noted based upon the size of the ranch unit. According to the comprehensive study conducted by the economic division, Economic Research Service of the U.S. Department of Agriculture, and the Agricultural Economists of the Universities herein mentioned, the rancher and producer, under the small program, with 150 cattle or 400 sheep, more or less, showed a substantial loss when family labor or depreciation is considered as a part of the cost of operation, but when both of these factors, family labor and depreciation, are not considered, the small rancher is barely showing a profit. The rate of return on investment of those operations with 60 cattle or less, are shown to be -3.65%; on the 101 unit a -3.17%, and on a 340 head unit, 0.19%.

When the same figures for the same size operation are considered for the Northern Great Plains area, there is a percent of return on the investment for a 64 head unit of 2.33%; on a 180 head unit, 3.00% and on a 560 head unit, 3.31%.

This variance further substantiates the fact that the climatic conditions, the annual precipitation, the soil conditions and other factors in the western mountain region area and particularly Western Utah and Eastern Nevada, makes the problem more acute and the advisability of an increase in grazing fees more impractical and unreasonable. To adjudge the circumstances and abilities of a small farmer in the western rural area of Utah on the same basis as a cross-section of producers and ranchers of all areas, irrespective of size of operation, is both unfair and unrealistic, and to impose a blanket increase in grazing fee on a large operator in the Northern Great Plains area in the same amount as on a small operator in Western Utah or Eastern Nevada, is being blind to reality, and can amount to forcing the small western operator out of business.

According to the report above-quoted, on 100 head cattle operation or 400 head sheep operation, one out of fourteen sheep operations and 11 out of 66 cattle operations that were budgeted, failed to cover cash costs plus depreciation. The average rate of return on current investment on cattle ranches ranged from -4.18% on the group of the smallest operations to 1.92% of the smallest group operations, to 1.98% on the group of the largest operations. The corresponding range on sheep ranches was from -7.04% on the smallest operation to 1.57% of the group of the largest operations.

Any increase in range fees would reduce net ranch income, and it was determined that ranch operators' fees for grazing were 4 and 5% of the total cash costs on cattle ranches and 3.2% on sheep ranches. A 40¢ to 50¢ fee would increase the average to 7.8% of the total cost of the cattle ranch and 5.3% of the sheep ranch, and if a fee of \$1.00 were assessed, it would be 14.8% of cash cost for cattle ranches and 11% for sheep ranches.

In short, throughout the United States, millions of dollars are being spent on rural renewal programs, including the encouragement of industry, and programs to preserve and develop the potential resources of the area. One such section, where considerable emphasis is being placed by E.D.A. and other governmental agencies, is the Four Corners area. As a part of that area, large sums of money and many economic programs have been conceived to improve the economy. Nothing could more effectively depress the economy or cripple industrial growth and development in the rural areas mentioned, than to increase costs of operation for the livestock rancher, particularly the smaller ranchers. Throughout the State of Utah, the investment in the cattle industry ranks high, second only to mines, and in most areas of the State, the cattle industry is the largest single industry in the area. The economy of all the rural counties is tied directly to the livestock and agricultural investments. The related economy of the entire rural area is dependent upon the livestock industry. The grazing permit has a terrific impact on the ranchers' ability to borrow capital. Many loans are conditioned upon the rancher having a grazing permit. Utah Livestock Production Credit Association loans are generally allowed on a per head basis, usually based on \$75.00 to \$100.00 per head on cattle, and \$15.00 to \$20.00 per head on sheep. The livestock are required to have adequate grazing lands as a prerequisite to obtaining the loan. An increase in grazing fees would have a negative effect on a ranchers' ability to borrow from the PCA, because the ranchers' earning capacity would be decreased and the value of the permit would become negligible.

A careful research and report of the beef-cattle in Utah's economy was prepared by the Bureau of Economics and Business Research at the University of Utah. The 80-page study prepared by Dr. John R. Evans, Dr. Gordon S. Thompson, Harold W. Lee and Osmond Harline, has determined that the livestock industry was the basis of the rural economy. This study is referred to, to substantiate the great impact of the livestock industry on the rural economy. In the light of the serious consequences which will come to the livestock producer, to the related industries and the entire economy of the counties and states involved, and in view of the further study being made by the Land Law Review Commission, at a cost of millions of dollars, which study is designed to reveal the potentials of the public lands. And the further important fact that the proposed raise is sought to be imposed without the benefit of ample opportunity to be heard in regularly conducted hearings where the producer is permitted to present his position; and for the very important reason of avoiding the serious impairment of the economy of the rural areas involved, the proposed increase in grazing fee should be denied or at least withheld until further studies, hearings and reports from the Land Law Review Commission, would justify such proposed action.

STATEMENT OF VERNON METCALF, SALT LAKE CITY, UTAH 84106

Mr. Chairman and Members of the Committee, now retired, I am a former Forest Ranger, Forest Supervisor and Assistant Regional Forester, having spent some 12 years in the U.S. Forest Service; a former Nevada Livestock Association Executive Secretary, serving for some 14 years; a former Consultant to the Central Committee of Nevada State Grazing Boards; a former Secretary of the Nevada Wool Growers Association, serving for some 8 years; and a former Secretary-Treasurer-Manager of the Nevada Livestock Production Credit Association, serving in that capacity for some 27 years. Some of these positions were held simultaneously.

THE STATEMENT

A main, if not the main, cause of this problem, as matters now stand, seems quite clearly to be that having, in effect, been directed by the Director of the Federal Budget Bureau (FBB) to do so, Federal officials, consisting of the heads of the Interior Department (ID), the Department of Agriculture (DA), the Bureau of Land Management (BLM) and the Forest Service (FS), have set out to henceforth apply a so-called Fair Market Value policy in their fixing of fee rates for the private enterprise, stockraising-agricultural use of the livestock forage crop resource values of livestock grazed Federal Grazing District (FGD) and Forest Service (FS) grazing lands.

In this connection, it quite clearly looks like the authority for the said FBB officials to prescribe the said policy for the said ID, DA, BLM and FS agencies to follow in this matter, comes from a provision of a long obscure Act, enacted

by the Congress as Title V of the Independent Office Appropriation Act of 1952 under the heading of Fees and Charges of Federal Agencies—Reference: U.S. Code 1964, Section 140, Pages 254-255, which places the said policy making authority in the hands of the President, who appears to have delegated it to the said FBB of his Executive Department.

The said Fair Market Value fee rate fixing policy is claimed, in a joint BLM and FS press release of mid-November, 1968, to be one laid down in an FBB Circular A-25 of September 23, 1959, issued to the Heads of Executive Departments and Establishment, the Subject being User Charges.

In that FBB Circular, there are many different kinds of instructions for such Federal officials to follow.

Those which it quite clearly looks like the said FBB officials have called upon the said ID, DA, BLM and FS agency officials to follow, in the fixing of fee rates such as those here concerned, on page 2 of the said FBB circular, seem to include ideas or principles such as the following:

1. That the fee rate charge should be made at levels sufficient to recover the full cost to the Federal Government of rendering the service or, in this case, the grazing privilege concerned.

2. That, where federally owned resources are leased or sold, a fair market value should be obtained.

3. That the charges concerned are to be determined, so far as practicable and feasible, in accordance with comparable commercial practices.

4. That the said charges need not be limited to the recovery of service costs to the Government and that, instead, they may be such as to produce net revenues to the Government.

Regarding the establishment of fees to recover Government costs, the said FBB circular, on page 3 thereof, calls upon each of the agencies concerned—

A. To establish fees in accordance with the policies therein set forth in such a way as not to reduce or eliminate fees and charges in effect as of the time.

B. To establish the maximum fee on the basis of the total cost to the Government of providing grazing privileges such as are here concerned but NOT ACCORDING TO THE VALUE THEREOF TO THE RECIPIENT (evidently intended to mean not according to the recipient's ability to pay for them).

Here, by the way, it seems well to point out that the last few words in Item B, which are capitalized, are of vital concern in the facts which will be brought to light further on herein.

In all of this, it quite clearly looks like the Federal agency officials who have now set out to make use henceforth of the said Fair Market Value policy in their fixing of the said grazing fee rates, seek to justify their action in doing so by taking the position that in following it (1) they will be serving the best interests of the public in general, as the real owners of the FGD and FS livestock forage crop resource values concerned and (2) following a policy which the said 1952 Act gives the FBB the power Federal statute-wise to prescribe.

The primary purpose of the facts presented hereafter in this statement is that of demonstrating, by them, that neither of the said justifications are valid. First dealt with, in this connection, is the first one of the said two justifications:

As to the matter of the general public welfare:

Here stands out the fact that involved in this problem, to begin with, is the question of what purpose the raw state values of the Federal Government-held FGD and FS livestock forage crop resources best should serve.

Also involved in it is the question of what purpose the values of others of the agriculturally used resources of the vast and generally desert-like Western Public Land (WPL) State regions concerned best should be made to serve.

Generally speaking these other agricultural resources consist of such kinds as generally desert-like ranch lands, irrigation waters and stockwaters.

Just like the said FGD and FS livestock forage crop, these others of the said resources of the said desert-like regions are of that out-of-the-ordinary kind which, by themselves alone, are generally non-worthwhile usable.

Long, therefore, has it been necessary for these out-of-the-ordinary kinds of resource values (representing together either largely or, in many cases, practically all of the agricultural resources regionally available) to be used in combination, together (if they are to be worthwhile utilized at all, at least economics-operative-wise) as complete all seasons of the year, livestock herd operating bases, each part generally being used, in turn, seasonally throughout the year.

As in most others of the agricultural regions of the country, used in this manner and only when so used, together with their livestock herds by tens

of thousands of private enterprise, stockraising-agriculturists (mostly of the family kind) it has been possible, as in the case of the said other regions, to have converted into such things as food and fiber and then negotiable funds for the benefit, finally, of most everybody, the raw state values, as a whole, of the said out-of-the-ordinary kinds of different agricultural resources.

Practically ever since the earliest days of settlement of the said generally desert-like regions, this is the kind of a resource value usage program which it has been necessary to follow in order to make possible the otherwise impossible worthwhile conversion of the said resource values into usable things, like the said food and fiber supplies, dollars, etc., beneficially passing sooner or later, through a great many hands.

Under long-standing Federal and state governmental policies and procedures, while the said FGD and FS livestock forage crop, one of the said resource livestock herd operating base parts, has remained in Federal Government hands, quite generally the others of the said out-of-the-ordinary kinds of the desert-like, agricultural resources have been passed into private hands.

This long has made it necessary, in contract with at least most, if not all, of the other said agricultural regions, that the said agricultural operating bases of the said desert-like regions generally must be made up partly of Federal Government and partly of private enterprise parts, with the parts as a whole under divided control and management.

For many years now, that part consisting of the said FGD and FS livestock forage crop has been in control and management, usage-wise, of Federal agency officials and for practically all this time, either by law (the so-called Taylor Grazing Act (TGA)), in the case of the said FGD forage crop, or by regulation, in the case of the said FS forage crop) this kind of a resource value usage program generally has been followed in the said vast WPL state desert-like regions.

In its following, it has been unavoidably necessary, as a part of that kind of program, that the said masses of private enterprise, stockraising-agriculturists, furnishing their parts of the said operating bases, make use of the Federal Government furnished part (the said livestock forage crop resource part) as agricultural tenants.

As such, they necessarily have had to be that kind of tenants who must either continue to have, in proper measure and at reasonable charge terms, the continued use of the said Federal Government livestock forage part of the said operating bases, or see the chances for their further worthwhile operation of the operating base parts they have been called upon to furnish by the said Federal Government arranged for, sanctioned, sponsored, etc., resource usage program, become impossible, thus generally suffering the loss of their investment values therein, in many cases, equity-wise at least, representing their lifetime's savings.

As seems only to stand to reason, for the said grazing fee charges to be of an at all reasonable kind under the aforementioned circumstances, it is of vital necessity that they be held at rates within the reasonable ability of the said agricultural tenant, program operators, here concerned to keep paying them after meeting their program operating costs of kinds which they, alone, of all stockraisers in general, are required to meet.

These costs, in the main, are represented by (1) the out-of-pocket costs common in the case of private enterprise, stockraisers in general and (2) the cost represented by the return that must be had by the said program operators on the holdings investments represented, for instance, by the said ranchlands, irrigation and stockwaters, required of them by the said Federal Government arranged for resource value usage programs, but not so required of stockraisers in general.

As seems only to stand to reason, the said agricultural tenants, just as has been so in the case of all other agricultural tenants, from time immemorial, can not meet these vitally essential costs unless the agricultural landlord—in this case the Federal Government—will see to it that the landlord charges for the agricultural tenancy privileges concerned are held at levels at least reasonably within the ability of the agricultural tenants concerned to pay them.

Unless the said Federal Government program can work worthwhile, the said out-of-the-ordinary kinds of agricultural resources, representing as they generally do the whole of those available in the said vast and generally desert-like regions, can not, as can the usual run of other regional agricultural resources, have any worthwhile chance to be recovered, food and fiber and negotiable wealth-wise, at all.

Once that program as Federal Government laid down is obstructed, such as by the operation of the said quite clearly misfit Fair Market Value kind of a fee rate fixing policy, then it only seems to stand to reason that gone down the drain, for instance, will be—

1. The long depended upon livelihoods of tens of thousands of the said agricultural tenant, agricultural resource value, program operators and ranch and livestock workers here involved—mostly, by the way, of the family kind, as well as

2. The larger part in many, if not most of the said vast regions, of the populations, private land settlement, livestock herds and agricultural economies, without the continued support of which will be wiped out, in turn, either a large part or, in many cases practically all of the regional economies as a whole.

Gone as well, will be—

- a. A large part of the country's food and fiber supplies upon which its consumers long have depended for an adequate supply at reasonable prices;

- b. A large part of the periodic supply of the thinner, feeder type kind of livestock, long depended upon by more climate-wise favored regions of the country for utilizing their supplies of feed needed for readying the said kind of feeder type livestock for market;

- c. A large part and in some regions practically all of the ranch land and livestock collateral necessarily used as security for loans needed by the said agricultural tenant, program operators, from time to time from a great many lending agencies, including commercial banks as well as such agencies as the Federal Government instrumentalities of land banks and production credit associations, Federal home owners loan associations, and so on;

- d. Gone generally as well will be the values coming initially from the use of the said regional resources having, over the years, filtered all the way through not only the regional but also the national economies.

Finally, which seemingly hasn't been too well recognized generally, comes the fact that if the said Fair Market Value kind of a grazing fee rate fixing policy is to be the one used henceforth, as now evidently intended by the said Federal officials, gone with everything else listed just above herein, will be any further chance for the Federal Treasury to receive any further grazing fee income worth mentioning from the said raw state values of the said partly Federal Government and partly program operator held resource values, for the simple reason that the conversion of those values into negotiable funds which, long alone, has made possible the payment of those fees, will no longer be possible under that kind of a policy.

Here it seems well to mention the fact that if the said Federal officials, by continuing to insist upon applying the said quite clearly misfit Fair Market Value kind of a policy, which isn't taking into account the ability of the said program operators to pay the resultant fee rates, the many presently long established settled in place kinds of agricultural economies, in the many desert-like regions here concerned may have to give way to kinds of agricultural economies making use of just the said livestock forage and stockwater but not the said ranchland and irrigation water resources.

For instance, with the present settled-in-place kinds of program operators no longer able to afford to use the said Federal government held livestock forage crop values, at Fair Market Value kinds of fee rates fixed on a basis they would not have the ability to pay, a use of just the said Federal Government held livestock forage crop values, plus the said stockholders, still could be possible, probably by far-ranging sheep herds operated on a nomadic basis, with presently used settled in place ranch lands and irrigation waters largely in some regions and practically entirely in others lying idle, in many if not most cases, gradually going back to the desert.

But how such a result could operate to best serve the public interest seems to be at least quite questionable.

So much to here, then for the matter of why the position seemingly taken by the said Federal officials to the effect that their recently established Fair Market Value kind of a grazing fee rate fixing policy, instead of operating to benefit the general public welfare, quite clearly and reasonably could be expected to produce exactly the opposite results.

Before leaving the subject presently concerned, this seems as good a place as any, in this statement, to present specific data as to the inability of the said agricultural tenant operators of the said Federal Government sanctioned, spon-

sored, et cetera, resource value usage programs to pay either the present or the much higher kind of rates called for by the said Fair Market Value kind of a fee rate fixing policy.

But two studies ever seem to have been made, Federal agency-wise, over the years and given general distribution, dealing with the specific matters of the ability of agricultural tenant, program operators of the kind here concerned to pay FGD and FS grazing fee rates for agricultural tenancy privileges of the kind here involved.

The first one, made going on thirty years ago, showed clearly that if, from their gross income, allowance was made for the payment of their out-of-pocket costs plus even a nominal rate of return (considering the risks involved) upon the operators required herd and base property investments (5 and 4% respectively) the said operators couldn't even afford to pay either the FGD or FS considerably lower than now grazing fee rates then in effect.

In addition, what appears to be the latest such study, made and given general distribution Federal agency-wise (one released by the Department of Agriculture toward the beginning of the year 1966) showed, cattle-wise for instance, only a dollar-wise net return of \$11.50 per head per year, or a 2% rate of return, combined herd and base property investment-wise, on a per head cattle investment of \$575.00.

A heavily increased fee rate now proposed, under the provisions of the said Fair Market Value policy, to take effect over a five-year period, apparently would mean an increase in present rates of right around \$1.00 per head, cattle-wise for example, per month.

Figuring for instance, that a program operator, as often seems to be the case, must make use of the higher elevations FS grazing allotments for around three months, of the lower elevation FGD allotments for five months, and of the ranch lands for the other four months, the said \$1 per head per month fee increase would mean a completely new drain of \$8 per head per year on the said, for example, \$11.50 per head, dollar-wise, net income for investment, leaving but \$3.50, dollar-wise, per head per year for net return on the combined herd and base property investment and reducing the said 2% rate of return to around but 6/10ths of 1%.

Here, by the way, it looks like the said Federal officials seem to think that they are making it an easy matter for the program operators here concerned to get their affairs into shape, over a 5-year period, by adjustments here and there, to stand the said heavy new annual costs made necessary by the said \$1 per head per month or, in the said example, \$8 per head per year, involved in the said Fair Market Value kind of a policy fee increase.

Here, it also seems only to stand to reason that with the average run of the said program operators able to obtain only a 2% rate of return on investment, as per the said late 1965 released DA study, if they could have found it at all possible to adjust downward their costs or upwards their income to improve their financial position, they would long before now have been busy at the job.

Not being able to do much of anything to do either, what it seems only to stand to reason will have to happen, adjustment-wise, on the parts of the said program operators, if they really must stand the new, heavy Fair Market Value policy increased kinds of FGD and FS grazing fee rates, is an adjustment and, a considerable one, downward of theirs and their family's living standards and costs of trying to get their children properly educated, usually representing no great public welfare benefit.

Some years back when, in a meeting of program operators and Federal agency officials concerned, this matter of an adjustment downward of program operator costs to enable them to stand higher FGD and FS grazing fee rates came up, with the result that when those on the program operator side asked those on the Federal official side, who had suggested that procedure, just how they would propose that this be done, the answer from the said officials' side was to the effect that one good way by which it might be done, would be for those on the program operators' side to get their counties and states to reduce their property tax appraisal values and rates on the program operators' herds, ranches, etc.

Here, the idea of the said officials seemed quite clearly to be that in order to enable the Federal agencies concerned to take ever more out of the regional agricultural resource values of the said generally desert-like regions to ever increasingly enrich the Federal Treasury, leaving the counties and states concerned ever poorer and poorer, the regional counties and states should be willing

to take less and less of the said regional resource values, tax-wise, for the support of their governmental machinery.

As to the Federal statute matter:

And, now, comes the matter of whether any such kind of a policy as the said Fair Market Value one was ever either intended or called for by the applicable Federal statutory provisions.

First, in this connection comes the question of how the said top level FBB officials who have, in effect, directed the said departmental and Federal agency heads, to follow it, in the case at hand, could have assumed (as it looks like they must have done) that the apparently applicable Federal statutes, as laid down Congress-wise, provides them with the authority to lay down a fee rate fixing policy of the said quite clearly misfit Fair Market Value kind, certain to keep resulting in fee rates which cannot afford to be paid by the kind of agricultural tenants who must be relied upon, Federal Government program-wise, to be the operators of the resource value usage program involved.

Here, it seems only to stand to reason, to begin with, that the Congress hardly would have set up such a program for accomplishing, as the only way in which it can be worthwhile accomplished, the conversion into the said food and fiber products, negotiable wealth, etc., of the agricultural resources of the kinds of desert-like lands here concerned, if the Congress didn't want it to at least have a chance to work satisfactorily.

And having set up the said program to accomplish that end, it just doesn't seem to stand to reason that the Congress then could have intended that Federal officials, such as those here concerned, should fix that program so it couldn't work at all by applying program usage charge rates at levels which the program operators could not afford to pay, thus circumventing the said wishes of the Congress.

In addition, the records of the hearings held when the said TGA, providing for the said program to be followed, was being considered for enactment, clearly show that there was no such intent as this Congressional-wise.

For instance, when the question was raised by Senate Committee members as to what purpose the resource values here concerned were intended to serve under the applicable provisions of the said TGA, it clearly looks like, without dissenting voice, it was the consensus of the Committee members that the purpose sought thereby, just as in the other said regions of the country, was that of leaving instead of taking away therefrom by means of the said Fair Market Value kind of a policy, all of the said resource values, both Government and private enterprise held.

And this isn't all of the evidence quite clearly serving to demonstrate that the said FBB officials are not following the wishes of the Congress in their choosing of the said Fair Market Value kind of a policy to be applied by the said ID, DA, BLM and FS agencies in the fixing of the fee rates here concerned.

For instance, in the said long obscure 1952 Appropriation Act by which it now appears that the Congress granted the authority which the said FBB officials presently are using in their proscribing of policies such as here concerned, provision clearly is made that, when fixed, the said rates are to be of the "equitable kind, evidently mean equitable to all parties concerned.

Another provision of the same statute clearly states that fee rates for privileges of the kind here concerned are not to be set at levels greater than the value or worth of such privileges to the recipients thereof, or, in other words, at levels which such recipients can not afford to pay.

Again, in the said TGA, as apparently still the basic law specifically enacted Congress-wise to govern the use, program-wise, of the agricultural resource values of the generally desert-like regions here concerned, clear cut provision is made that the fee rates to be charged, incident to the functioning of said Congressionally arranged for resource value usage program, are to be of a "reasonable" kind.

In addition, the title of that statute, declares it to be a principal purpose thereof, that its provisions be so administered as to "stabilize" enterprises of the kind which must be followed to enable the said Congressionally laid down resource value usage program to have any worthwhile chance to work.

Here, to sum up, regarding these just mentioned Federal statutory provisions, set up by the Congress to place limits on the size of the fee rates here concerned, the fact seems only to stand to reason that fee rates such as fixed by use of the said Fair Market Value policy, on a basis not considering the ability of the agricultural tenant, program operators of the kind here concerned to keep paying them, hardly could be considered to be of a kind either (1) "reasonable",

(2) "stabilizing" to the enterprises of the program operators, (3) "equitable" in their case or (4) of a size within the worth or value of the said privileges to the kind of agricultural tenant program operators here concerned provisions as called for by both of the said two applicable Federal statutes.

Finally, one of the passing strange things about this whole matter lies in the rather unusual fact that the said FBB Circular A-25 of September 23, 1959, doesn't seem to be the only one or even the last of the fee rate fixing policies laid down FBB-wise.

Additionally, it doesn't seem at all to be that one of the said FBB policy directives seemingly laid down FBB-wise to fit the kind of a case here actually involved.

For instance, augmenting and clarifying all of its previously laid down fee rate fixing directives the FBB, in June of 1964, in repeating the provisions of the said Fair Market Value policy added, as an exception thereto, what clearly seems to be another policy for fee rate fixing, in the case of resource value usage programs of what would clearly seem to be exactly the kind involved in the case here at hand.

This additional policy quite evidently is aimed, FBB-wise, at easing the said Fair Market Value policy idea of fixing the fee rates here concerned at levels not held within the reasonable ability of program operators such as here concerned.

The said additional policy provides, instead of the Fair Market Value policy idea of fixing rates not held at levels within the reasonable ability of FGD and FS grazing privilege users to pay them, for what clearly seems to be the quite opposite idea of holding the said rates, in the case of resource value usage programs of the kind here concerned, at levels which will not unduly or significantly operate to impair such programs.

Quite clearly in the case of the kind of Congressionally arranged for, sanctioned, evidently desired to work, and thus rather obviously sponsored agricultural resource value usage programs here involved, such an idea as this, if followed, as seems only to stand to reason, would necessitate the holding of the kind of rates here concerned at levels reasonably within the ability of the said agricultural tenant, program operators, to keep paying them, just as clearly seems to be called for both public welfare and Federal statute-wise.

Added to these last several items, comes the fact that in a letter apparently sent all heads of departments concerned, under date of June 24, 1965, the then head of the FBB pointed out to them that fee rates such as here involved should be of a kind that would "insure equitable treatment of all lessees and permittees (concerned) as well as (furnishing) a fair return to the taxpayers".

Now, however, it quite clearly looks like the head of the said FBB has of recent times turned, in what appears to be exactly the opposite direction, by approving the following by departmental and bureau heads such as those here concerned, of the said Fair Market Value kind of a fee rate fixing policy which, quite obviously, will defeat rather than accomplish either the purpose of giving the said lessees and permittees equitable fee rates or furnishing equitable treatment to the country's taxpayers consisting mostly of the public in general, as called for in the said FBB letter.

Finally, strangely and above all quite significantly, in the case of the grazing fee problem here concerned, the big question arises of why the said FBB, in effect, now has decided to approve the use of the said Fair Market Value one of its fee rate fixing policies which doesn't seem at all to fit the circumstances involved in the case of the agricultural tenant, resource value usage program here concerned, while its said other policy, the one relating to Federally sponsored program grazing land use, would quite clearly seem at least much better if not quite perfectly, to do so.

In this connection, the wonderment can hardly help arising of whether the FBB officials who have directed the said department and bureau heads to follow what clearly seems to be the wrong one of the said two policies, actually knows or so far have had any worthwhile opportunity to become knowledgeable of the fact that use of the said Federal Government held FGD and FS livestock forage crop one of the said agricultural resources of the generally desert-like regions here concerned actually, long has gone forward, as it still does, on the basis of an agricultural resource value usage program, Congress-wise, and thus Federal Government arranged for, desired to work satisfactorily, sanctioned and thus sponsored.

Also, in this connection, the wonder can hardly help arising of whether it might not be worthwhile for somebody in authority and a position properly to do so to

take the steps needed to make certain that the said FBB officials do become fully knowledgeable of the said fact so that, knowing it for sure, they can have their chance either to rescind their present action as to which of the said policies should be the one chosen to be followed, substituting their usage-wise approval of the other one of the said two policies, or to have their chance to justify their reasons for not doing so.

In this connection, it seems to be in order, here, to point out that in the paragraph numbered 6, on page 4 of FBB Circular A-25 of September 23, 1959, to departmental and bureau heads, directing them as to the practices to be followed in applying the said Fair Market Value policy, the said FBB officials are directing the said departmental and bureau heads, in any case where the collection of fee charge rates for Federal Government services or property as called for by that Circular happens to be limited or restricted by existing law, to submit to the FBB appropriate remedial legislation.

Here, the wonderment can hardly help arising of whether the mindedness of FBB officials is that of, first starting in with the FGD and FS livestock forage crop resource values here concerned, following up by cashing in to the limit likewise on all of the other various resources situated upon or coming from FGD and FS lands such as, for instance:

Water for irrigation, power, municipal uses, timber, minerals, fish and game, recreation, et cetera.

If the said officials are so minded why shouldn't this fact be brought out in the open, beforehand, and if they are not, why should they be starting things off in that direction, first, in the case of the said livestock forage crop resources of the WPL State regions concerned?

Offhand, it looks like that should be both a pertinent and relevant question for the said FBB officials to answer out in the open and without delay.

Here, there seems to be quite wide-open an opportunity at least for what it looks like might well be a right good chance to get this whole problem straightened up on what would seem to be at least a reasonably easy, simple, sound and lasting basis, with what might well turn out to be a minimum of effort since, apparently simply by what could be just a stroke of the pen or even just a telephone call by the said FBB officials calling for the right one rather than what clearly seems to be the wrong one of the said two fee rate fixing policies to be followed by the departmental and bureau heads involved from here on, as best in keeping with what quite clearly would seem to be both the public interests, in general, and the presently applicable Congressionally laid down Federal statutes.

STATEMENT OF LEE WILLIAMS, PRESIDENT, HARNEY COUNTY STOCKGROWERS
ASSOCIATION, BURNS, OREGON

I, Lee Williams, President of the Harney County Stockgrowers Association of Oregon wish to offer this statement in conjunction with the State and National Stockmen's Association that we are opposed to the increase in grazing fees that the last Administration imposed.

We, in this county that is 78% federally owned, feel that the permit value should be recognized because the public land has such a bearing on our communities, school and county government. These public lands are the main resource that has stabilized the livestock industry in the Western states. This, of course, is one of the main reasons for the inactment of the Taylor Grazing Act of 1934. In our opinion, the new increased grazing fees are in direct contrast to the Taylor Grazing Act. These grazing fees will have the effect of forcing the small ranchers to sell out to larger ranchers because of the economic impact the fees will cause. History is very clear on such matters. Whenever ownership of the land falls into the hands of a few, prosperity and independence disappear from the country, and, not only for ranchers but for everyone.

The Harney County Stockgrowers Association also oppose all administrative changes in both the Interior and Agriculture Departments until after the Public Land Law Review Commission has made their recommendations to Congress.

The people in this county are opposed to administrative rules that have the effect of laws. A good portion of these rules have the tendency to disrupt the pattern of planning the livestock industry requires, as well as the intent of the Taylor Grazing Act.

Gentlemen, we oppose the increased grazing fees in their entirety unless the permit value that is attached to the base property is recognized.

STATEMENT OF EUGENE DAVIS, BRUNEAU, IDAHO

Mr. Chairman, Members of the Committee: My name is Eugene Davis of Bruneau, Idaho, and I represent the Dwyhee Cattlemen's Association. My background for this assignment is one of conservation for I am presently a member of the Advisory Boards for the Boise District of the Bureau of Land Management, Chairman of the County Committee for the Agricultural Stabilization and Conservation Service for Owyhee County, past president of the Owyhee Cattlemen's Association, past director of the Idaho Cattlemen's Association. Owyhee County lies in the Southwest corner of Idaho bordering Oregon on the West and Nevada on the South. It encompasses some 4,888,000 acres with 75% of this land controlled by the Bureau of Land Management as we have no forest areas in the county.

My presentation will be centered around the argument for allowing the Grazing Permit cost to be included in the formula used in determining grazing fees which is now a proven and, I think, acknowledged fact by nearly everyone concerned that grazing permits do have a market value. We see no reason why these permits should not be considered in the same category as an irrigation water permit or license. Certainly, I can assure you gentlemen that, without water our arid lands of the west are of very little value for high production purposes and in order to have available irrigation waters an individual land owner in the State of Idaho has paid a considerable sum and in return has received a license or permit to appropriate a given amount of water for a given number of acres.

It is my understanding that water permits are handled in much the same manner in other areas of the nation. By the same token, we who utilize public lands for grazing purposes in Idaho have paid a sum of money for a permit to an original owner and have been licensed by the Bureau of Land Management for a specified number of A.U.M.'s use certainly feel that we have legally purchased something of value, and that this capital investment is, I can assure you, in our opinion, an operational cost. The grazing fee study conducted by the Statistical Research Service for the two Federal Agencies reflects the permit value as \$14.41 per A.U.M. on Bureau of Land Management controlled lands. We accept this as being realistic since we have knowledge of transactions with no base properties involved in which the value ranged from \$7.00 to \$25.00 per A.U.M.

I have visited with many people from the urban areas or people who have read the newspaper headlines and believe that we livestock operators on federal lands of the west are being subsidized by the federal government because of the low charges made for an animal unit month of grazing.

In an effort to counter this type of thinking, I would like to relate to them the results of the grazing fee study and point out that my main disagreement is not with the study, but the refusal of the Bureau of Land Management to recognize the permit value. When asked to explain my reasons as to why the permit value should be considered, I usually get some understanding by explaining in the following manner: Let us liken my livestock operation with that of a Public Utility. The Utility in this case is asking to raise their rates because of added costs of doing business. In their itemized breakdown of operational costs presented to the Public Utilities Commission, I am sure we would find an item labeled "Interest on Investment". I am also sure that the members of the Commission would not question this item if the interest figure was reasonable. Most utilities would use a figure around six per cent.

Gentlemen, I can see no difference in the relative merits of the example given and my own position as a user of public lands as to the allowance of the interest on investment figure in calculating my cost of utilizing an A.U.M. of feed on federal lands.

Another point I would like to touch upon briefly is that portion of the proposed formula that provides that the base grazing fee be adjusted annually by an index computed from the average rental rates paid by ranchers for private forage in the eleven western states. These rental rates are published annually in "Farm Real Estate Market Developments" by the Economic Research Service. Adjustments in the grazing fee would be made in relation to increase or decrease in rates for the calendar year immediately preceding the new grazing year.

I would like to direct your attention to the very real possibility or almost certainty, that due to the added costs of operating on Federal Ranges and the decreasing desirability of owning a permit, livestock producers will look more favorably to grazing of private lands. This in turn, because of added competition for these lands, will raise the rental rates, and increased rates will be reflected in the Economic Research Report published annually. With this factor included

in the formula we fully expect the fee cost to advance at a much more rapid rate than that projected by the Bureau in their grazing fee analysis. We feel the maximum of \$1.23 per A.U.M. would quite possibly be reached in seven or eight years.

We are very much aware of the popular public thinking that we livestock producers on the western range lands have had almost free use of vast acreages for many years with little or no effort on our part to improve the range. It is understandable that people who are not closely associated with a range livestock operation should feel this way. We would like to repudiate this type of thinking with some facts about user contributions made over the years.

In order to do this I would like to give an example of what has taken place in the area in which I operate. This area of roughly 100,000 acres is used entirely by cattle and wildlife with no sheep. There are seven licensees in this area with approximately 2500 head of cattle run for an average of six months use on public lands. Until three years ago practically 100% of the improvements in the area were made by the users. Eighty per cent of the available water for livestock, game and fish is located on private land with the twenty per cent available on public land having been developed, as a dollar out of pocket cost, entirely by the users. These efforts and expenses contributed by users are certainly items which, we feel, should be recognized as definite contributions to a permit value. It is certainly apparent that were it not for the contribution of privately owned lands used in conjunction with federal lands there would be very little value for grazing and game development on the public domain. If it were not for the private lands in this area, wildlife would be extremely scarce due to the unavailability of water on public lands. The area is, however, considered as one of the better regions in the state on which to hunt deer with one of the largest populations of Sage Grouse in the nation. The antelope in the area are also abundant. The Idaho Department of Fish & Game have a Controlled Hunt every year on these elusive animals which is one of the few hunts for antelope in the state. Livestock men have long been proud of the large numbers of wildlife here and have been active in trying to conserve this resource.

Cattlemen in our area are not opposed to the eleven cent increase in grazing fees and would not be opposed to the ten year increase if the range and forage available for grazing justified an increase. We are of the opinion that present fees represent the value of the forage which exists. This is supported by the closure of three areas of some 750,000 acres in Owyhee County in 1968 due to poor forage and range conditions. It would seem to me a range depleted enough for closure would not command a very high rent if it were private land; however, on public land the regular fee was charged.

Our cattlemen will not object to the increase in fees, but we do think that at least one-half of these monies should be retained in the district from which they are collected to permit greater emphasis on range improvement and management.

We would like to see range lands improved, for if they were improved, the wildlife habitat would increase through better feed and water. In the Vale District of the BLM, the number of Chuckar Partridge was increased markedly by the improvement of water and utilization of feed previously ungrazed by cattle; also, deer areas have improved where cattle have been allowed to graze browse plants making them less susceptible to typical deer grazing habits.

Deer tend to open browse plants up and graze on the new growth leaving clumps and old wood with all new wood exposed to the deer. Cattle on the other hand tend to close up the browse plants and make them more productive.

Our cattlemen are in favor of the multiple use concept and would like to see as many sportsmen and recreationists use the range as possible. More people using public lands will make the range more productive due to the management which will be expected by the increased number of recreationists. We of the Owyhee Cattlemen's Association have sponsored with the BLM the classification of public lands for multiple use, and at this point have two-thirds of the county reserved for this purpose with the remaining third to be classified this spring.

We are very conscious of the value of the public lands. The conservation of the range resource is most important to our tenure on these lands for it is felt that with improved range lands no objection will be voiced by recreationists about cattle utilizing the forage; however, if range lands are not conserved, everyone observing cattle utilizing range will demand they be taken off. For these reasons we would like to see more importance placed on the range resource and a general up-grading take place.

STATEMENT OF BRIANT H. STRINGHAM, VERNAL, UTAH

Thanks for the privilege of submitting a written testimony to this important committee.

My name is Briant H. Stringham. I live in Vernal, Utah, a small agricultural town of 4,000 population. This area is based on the fringe of the public domain. The city is 125 miles from a railroad. I am an Executive Director of the Utah Wool Growers Association and am representing that association here today. Among other public positions held, I have been Mayor of Vernal City and have spent two terms in the Utah House of Representatives and the same number of terms in the Utah State Senate. I have spent my entire lifetime in the livestock business in the Vernal area, where I have raised a family of six children.

I am a member of a local National Forest Advisory Board and have been on the local, state, and national Advisory Boards of the Bureau of Land Management since the passage of the Taylor Grazing Act thirty-four years ago. I helped in the formulation and passage of the Act and the writing of the rules and regulations.

My father received one of the first grazing permits issued on the National Forest in 1905, and I was granted one of the first permits issued on Bureau of Land Management lands in 1935.

In 1876, my father and his small family pioneered the then extremely isolated Vernal area in eastern Utah with the understanding that his government would give him 160 acres for \$1.25 per acre, a water right for the payment of the filing fee and the free use of the surrounding public lands both Forest and BLM areas for the grazing of livestock. These enticements by the Federal Government persuaded the pioneers to face dire hardships in order to develop the stubborn isolated areas. This same Government, in order to develop the West, as you know, gave the railroads every other section of land for twenty miles on either side of the railroad. The above incentives were necessary in order to develop the vast resources of the West.

As the population and livestock numbers increased, it became obvious that the Forest lands needed regulation in order to protect them against abuses, including over-grazing. Subsequently, a small fee was charged for timber and livestock grazing. Twenty-four years later it was apparent to the livestock men that the remaining public lands needed regulation also to avoid the abuses that were being perpetrated by over-grazing.

The movement to regulate the public domain was initiated in Vernal, Utah, under the leadership of by brother-in-law, Congressman Don B. Colton of that same city. The bill was called the Colton-Oddie Bill. It passed the House twice, but failed in the Senate due largely to the opposition of Wyoming. Congressman Taylor of Colorado subsequently took the matter up and the Taylor Act was passed in June 1934.

The above facts of which you are familiar, are recorded to emphasize that the stockmen asked that the public lands be regulated . . . but they didn't expect to be regulated off the lands by constant increases in fees.

It is a well-known fact that the sheep industry in the United States has declined rapidly in the last two decades in spite of the fact that the Wool Incentive Act was passed by Congress. The reasons for this decline are:

1. None or very little profit.
2. Constant rise in expenses with little or no rise in the price of products produced by the industry.
3. No inducements for young men to take up the business; thus experienced labor or any kind of help is a big problem. (\$200 to \$250 and board is the going wage, all that owners can afford to pay)
4. Deep cuts in numbers on both the Forest and BLM permits seriously affect the economics of operations.
5. Severe winters and drought summers.
6. The ever-present predator problem. The sheepmen in Utah assess themselves 60 mills on every dollar for predator control. Losses are still heavy.
7. Imports of mutton, lamb and wool.

Every sheep outfit in the Vernal area is for sale. A 375% raise in fees as contemplated by Mr. Udall's order will eliminate every small operator in our area and we will have to head for the cities and relief. No industry struggling for existence, as is the sheep business, can absorb a 375% raise in one of its major expenses and still survive.

The first fee imposed by the BLM was \$.05 per A.U.M. Today, the notices are going out assessing \$.44 per A.U.M. A raise in one year of 331½%. The average sheepman in my area is allotted about 2,000 A.U.M.s in 1936 these A.U.M.s cost

him \$100.00. This year for the same number of A.U.M.s, the cost will be \$880.00. In 1979, if the Udall order stays in effect, it will cost him not \$100.00 but \$2,460.00 for the same number of A.U.M.s.

Recently, the stockmen co-operated fully with the U.S. Departments of Agriculture and Interior in a study of the comparative prices being paid for grazing leases on private and public lands. About 635 public and private range situations were studied in detail at a cost of \$800,000.00.

One study was made by Darwin B. Nielsen and N. Keith Roberts of the Department of Agri-Economics, Utah Agricultural Experiment Station, Utah State University of Logan, Utah. Below is a quote from the findings of their study.

"The Secretaries of the U.S. Departments of Agriculture and Interior have announced their intention to raise fees charged ranchers for permits to graze public lands. This fee policy, if implemented, will have a serious negative economic impact on ranchers and their communities in Utah as well as in all the western states. It does not consider the annual income that will be lost by ranchers, the loss of capital assets owned by ranchers, nor the depressing effect on community and state economics.

For ten years resource economists at Utah State University have advised the land management agencies not to raise fees until they adequately studied the welfare implications of such actions on ranchers, ranch communities, and public land management.

Grazing fees on public lands have been of concern to resource economists at Utah State University for the past ten years. Studies have been made to determine the value of forage produced on public lands. Through this research it was determined that the total cost of grazing comparable public and private rangelands were statistically equal in Utah. The equality exists if permit values which are owned by ranchers (bought and sold in the market) are recognized as a legitimate cost of ranching. Under these conditions fee increases are not warranted. The two Departments refuse to recognize the reality of the permit value in the present situation; hence, they justify a fee increase.

Permit marketing has been tolerated by the management agencies for these many years. The present generation of ranchers owns an asset tied to the public ranges with a value for an animal unit month of grazing almost equal to the value of an acre of privately owned range land with comparable productivity. Ranchers in Utah have considerable capital invested in permits.

Grazing fees are a part of the cost of using public ranges. Therefore, an increase in fees would cause a decrease in the value of permits owned by ranches. A fee increase as large as the one announced could reduce the permit value to zero.

Capital losses are by far the most important impact of a substantial fee increase. The announced increase will wipe out all permit values immediately after implementation. No rancher would buy a dead horse or even a dying horse. Current holders of permits will lose an average of \$14.00 per AUM invested in BLM permits and an average of \$25.00 per AUM invested in USFS permits the day the fee increase becomes a fact.

Over 50 percent of Utah cattle ranchers are small with 50 breeding cows or less. The increased cost will force these ranches out of business faster, and hence, increase the poverty problems.

The federal government is sponsoring programs which are in direct conflict with each other. Millions of dollars are being poured into rural areas to alleviate poverty conditions. Policies such as the one on grazing fees can only intensify the poverty conditions in rural areas in the West."

There is no doubt but that it was the understanding of the stockmen that whatever the outcome of the study, grazing fees would not be imposed higher than those paid for grazing on private lands, with the value of permits being part of the costs.

It is not within the realm of common sense to implement the Udall order when the Public Land Law Review Commission is making a study in depth of the fee question at taxpayers expense. These results are to be announced in June-1970.

Thanks again for this privilege.

STATEMENT OF FRED GLENN

Gentlemen: Thank you, Mr. Chairman and Honorable Members of the Committee.

I am here to try and explain to you the reasons why any raise in the cost of running livestock on the Federal lands would place an unbearable burden on the livestock industry in Idaho.

When a permittee with a grazing preference on the National Forest is to take a 40% cut in allotted cattle and then at the same time tell him his grazing fee will be increased 450% he will do what so many of our cattlemen have been forced to do, sell the cattle and try to find some other means of making a living.

In parts of Idaho our cattle graze the National Forests where timber has been removed in logging operation. This is something we expect, and could live with if the lands were reseeded to grass once the logging was complete. But Gentlemen a piece of plowed land is not as valuable for grazing as a well kept piece of pasture and I am sure you would not want to pay the same price for it, because there is no comparison of fee value.

Another reason for our concern of the price increase is the inflationary spiral of land values brought about by people paying more for ranches than their worth. They are run until the payment is due and are forced to be foreclosed. This causes our taxes to be raised to meet the 100% of value the Supreme Court justified to be right. Value was once considered to be what a place would produce for a good farmer or rancher making a living for the family and paying for the land in a 10 year period, now value is taken on the price it sells for.

The Forest Service has left out quite a number of facts in regard to the cost of running animal units on National Forest land. In addition to the riding fees, salting, death from loss from poison and rustling, we must maintain miles and miles of fences which must be let down every fall and put back up every spring. We also put up money for seeding grass on logged off terrain.

We bought these permits with commensurate property costing us one hundred dollars per head. We also have taken a fifty percent cut on the forest which would make our permits cost two hundred dollars per head. We have also been cut in time from June 1st to July 1st and from November 1st back to October 15th, which is a loss of 45 days grazing.

I estimate that my grazing privilege is costing me five dollars per month per cow unit which is higher than private pasture. Small operators are fast disappearing off the forest. This means that the cost is prohibitive.

The Payette National Forest graze 11,440 cattle and 40,350 sheep annually.

P.S.—\$200.00 unit cost, interest 6%, \$12.00 per year; 45 days grazing loss \$7.50 per year; riding fees \$4.00 per head per year; fencing and seeding \$2.00 per head; salting 50¢; death loss average \$5.00 per head, 44 cents per month 3½ months, \$1.52 per head.

| | |
|---------------------------|--------------|
| Interest | \$12.00 |
| Grazing reduction | 7.50 |
| Fencing and seeding | 2.00 |
| Riding fees | 4.00 |
| Salt | .50 |
| Death loss | 1.52 |
| Total | 27.52 |

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C. February 25, 1969.

Hon. FRANK CHURCH,
Chairman, Subcommittee on Public Lands,
U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH: I would like to take this opportunity to thank you and the members of the Subcommittee on Public Lands of the Senate Interior Committee for holding hearings to investigate the recently announced increases in grazing fees on federally owned lands.

The impact of these increases on the livestock economy of the Nation should be of prime concern to all of us. I know that this will be given thorough attention by the Committee. At the present time, the livestock industry, particularly that of our ranch operators, faces severe financial crisis. I am concerned that the increases recently announced will not only add to the financial strain, but will, indeed, force many of these producers to abandon their operations entirely.

As you know, the use and management of our public lands is currently under detailed study by the Public Land Law Review Commission. This Commission presently plans to submit its report and recommendations to Congress and the Executive Branch of Government by June 30, 1970. Since this Agency was created for the express purpose of examining the effective multiple-purpose management

of public lands, it would seem advisable to await the Commission's Report before taking any action to impose higher user fees on any group utilizing these lands.

I am enclosing a copy of a letter I have received from Mr. Kyle Miller, President of the North Dakota Stockmen's Association, and a copy of a letter written by Mr. H. H. Lundin, President of the North Dakota Grazing Association of Watford City, North Dakota, to former Secretary of Agriculture Orville L. Freeman. These letters quite effectively set forth the problems facing North Dakota ranchers involved in this question. I would like to request that my letters and the enclosures be made a part of the hearing record.

With warmest personal regards,

Sincerely,

MILTON R. YOUNG.

NORTH DAKOTA STOCKMEN'S ASSOCIATION,
Bismarck, N. Dak., November 22, 1968.

Hon. MILTON YOUNG,
Senator from North Dakota,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: Although only a small percentage of this Association's members use public lands for grazing livestock, public lands are a very significant factor in the livestock economy of North Dakota. There are over 700 permittees in four grazing associations, scattered BLM lands and on wildlife refuges here in North Dakota.

Therefore, we're immediately and extremely concerned with the recent announced intention of the Forest Service and Department of Interior to increase public land grazing use fees.

The Public Land Law Review Commission was established by Congress to make a study of public lands and to make recommendations concerning them to Congress and to other appropriate governmental agencies. These recommendations, it's fair to assume, would be equitable to both the federal government and land users alike.

However, with the Commission's study still not completed, the Secretary of Interior and the Secretary of Agriculture have arbitrarily and without sufficient justification, suddenly announced intentions to increase grazing fees on Forest Service and BLM lands in defiance of the Public Land Law Review Commission.

We emphasize that public land users and this Association are well aware of the responsibility of the Interior Department and the Department of Agriculture to manage these lands for the public benefit. Further we subscribe fully to the principle of multiple use of public lands.

We do, however, object to the sudden and unexpected announced intent of these Departments to increase fees without awaiting completion of the PLLRC study.

Therefore, we earnestly petition you to use every influence in calling for Congressional hearings and review before these fee increases are allowed to go into effect. Also, we'd be most appreciative of your submitting comments to these two Departments in regard to the intended fee increases.

We again stress the fact that public lands are very important to the North Dakota economy and that, if such fee increases are allowed to prevail, it will only serve to reduce agricultural income at a time when we're trying desperately to increase it.

Thank you and very best personal regards.

Sincerely,

KYLE MILLER, President.

NORTH DAKOTA GRAZING ASSOCIATION,
Watford City, N. Dak., December 18, 1968.

Mr. ORVILLE L. FREEMAN,
Secretary of Agriculture,
U.S. Department of Agriculture,
Washington, D. C.

DEAR MR. FREEMAN: The North Dakota Grazing Association is opposed to the announced increase in grazing fees on the Forest in the eleven western states.

The public announcement of the fee increase indicated that it was largely based on the SRS study which is in direct conflict with a government-industry study made in 1966. It is obvious that one or the other of the findings are in error. The PLLRC is also making a very intensive study of proposals for disposition of public lands as well as fee studies. It would be logical to wait for recommendations of the PLLRC committee before making any fee changes.

The announced fee increase appears very untimely in that the Secretaries of Interior and Agriculture have an extremely short future tenure in office. Many persons have expressed the opinion that the announcement was made at this time as a "get even" act against an industry that has not whole-heartedly supported many of the policies and recommendations of these Secretaries.

Respectfully yours,

H. H. LUNDIN, *President.*

IDAHO LIVESTOCK PRODUCTION CREDIT ASSOCIATION,
Boise, Idaho, February 24, 1969.

HON. FRANK CHUBOH,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I am president of the Idaho Livestock Production Credit Association, Boise, Idaho. This institution was organized in 1934 for the specific purpose of providing short term credit for the sheep and cattle industry. Since organization thru 1968 our association has loaned \$221,165,789 to ranchers throughout the State of Idaho. During the past year our loan volume was nearly \$24,000,000. At our annual stockholders meeting held January 31, 1969, the members present unanimously adopted a resolution directing the proper officers of the association to direct letters to the Secretary of Agriculture, Secretary of Interior, the Idaho Congressional Delegation and the Chairmen of the various committees conducting hearings on grazing fees, protesting the proposed increase in grazing fees on public lands under the direction of the United States Forest Service and the Bureau of Land Management.

For many years the profit margin in the livestock industry has been narrowing. The cost of operating the ranching enterprise has increased many times over the price received for the products they have for sale. Any increase in grazing fees will add substantially to the annual operating costs of these ranchers, resulting in even narrower margins of operating income for all, and increasing operating losses now being suffered by many. According to the United States Department of Agriculture Statistical Reporting Service, in January 1969, beef cattle are reported at 78% of parity, sheep at 79% of parity, and wool at 44% of parity. This in itself is evidence that the livestock industry is not in a position to support the additional burden of increased grazing fees. If this disparity continues in the future, at the rate it has in the past, we are concerned about the problem of providing adequate funds for the continuation of any but the most financially solvent ranching operations. We believe this would not be in the best interest of the livestock industry or the national economy. At the present time we are financing some marginal loans that cannot withstand any increase in operating costs without a commensurate increase in income, and still remain in the ranching business.

In view of the extremely difficult position we find ourselves in attempting to continue financing the livestock industry, and the added financial burden it will put on the ranchers, we respectfully urge that you use the influence of your office to prevent the proposed grazing fee increase from being put into effect.

With best regards, I am,

Sincerely yours,

WILBUR F. WILSON, *President.*

COLORADO SPORTSMEN'S ASSOCIATION,
Grand Junction, Colo., March 4, 1969.

Senator HENRY JACKSON,
Chairman, Senate Interior and Insular Affairs Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR: It is understood that the House Subcommittee on Public Lands is holding hearings on the recent increase in grazing fees. From the articles in the newspapers it is apparent the livestock permittees will be well repre-

sented at the hearings. For sure they should have the money to attend and sing their own songs when they get feed from the public lands for little more than plain stealing.

Since we, the less affluent, do not receive this subsidy to pay for trips to hearings conducted for people benefitting from the give-away, who is representing our interest in the form of access and use of these public lands? While the livestock permittees act as though they 'own' the public lands, there are still many of the public who think they have an equity interest in those lands which could be used for feeding wildlife. Obviously there is a conflict of thinking in which one has to be in error.

If the minority group of permittee princes continue to act as though they "own" the public lands, they can be sure the public has means of changing their minds. Let's hope it doesn't come to that, but who and how is the majority public interest being represented at these hearings?

Yours truly,

HERBERT SNYDER,
Chairman, Public Lands Committee.

WYOMING FARM BUREAU FEDERATION,
Laramie, Wyo., February 21, 1969.

HON. FRANK CHURCH,
U.S. Senator, Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: Farm Bureau policy supported the establishment of the Public Land Law Review Commission. It was the understanding given at the time of its establishment that grazing fees would not be adjusted on the public lands until the commission had completed its study.

Grazing on public land is a vital part of many Wyoming ranches. Many ranchers have only small amounts of deeded lands, and in many instances 2,000 acres or less. They rely heavily on their grazing permits for summer forage.

Unless the expense of owning a grazing permit is recognized, there appears to be justification for a grazing fee increase on forest lands from 51¢ up to \$1.57 and 33¢ up to \$1.31 on BLM lands. However, the cost of owning a permit on Forest Service lands is \$1.52 for cattle and \$1.04 for sheep. For BLM lands, cost of owning a permit is \$.86. And it is noteworthy to consider, 95% of these permits were purchased by the holder.

When the cost of owning a grazing permit is computed, Forest Service lands for cattle is 46¢ more expensive than comparable private lands. For sheep, this figure is 22¢. Only in the area of some BLM lands is it less expensive to run on public land. This amounts to 11¢ less than on comparable private land.

The cost of owning a grazing permit must be figured. The permit value is not an unearned windfall caused by pricing the forage below its true value, but it is an accumulation of investment equities. These investment equities date back to the original settlers.

Increase the grazing fees, and this will decapitalize the value of grazing permits by \$343 million dollars, and we must keep in mind that 95% of these permits were purchased by the holder.

The Wyoming Farm Bureau Federation, representing 7,941 member families, opposes any change in the grazing fees until the Public Land Law Review Commission completes its study.

Thank you.

Sincerely,

HERBERT D. LIVINGSTON,
President.

IDAHO COUNTY, STATE OF IDAHO,
BOARD OF COUNTY COMMISSIONERS,
Grangeville, Idaho, February 11, 1969.

HON. FRANK CHURCH,
U.S. Senator, Senate Office Building, Washington, D.C.

DEAR SIR: The proposed grazing fees increase announced by the Secretaries of Agriculture and Interior on November 16, 1968, starting with the 1969 grazing season, will have a very serious adverse economic effect on Idaho County. This will be a serious burden on many of the larger ranchers and will be finan-

cially disastrous to many of the smaller ranchers. This drastically increased fee will drive so many cattle off the public lands that we wonder if they have abandoned the multiple use concept and are using this as a device to reserve the public lands for recreation only.

We request that the present rate be frozen until the public lands Review Commission has completed its work and a comprehensive plan can be presented for continued multiple use of public lands.

Yours very truly,

R. D. WILLIAMS, *Chairman.*

NATIONAL RIFLE ASSOCIATION OF AMERICA,
Washington, D.C., February 27, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: The National Rifle Association of America would like to reaffirm its unswerving support for the recent increases in grazing fees for the National Forests and the public lands, put into effect only last January by former Secretary of Interior Stewart Udall and former Secretary of Agriculture Orville Freeman.

Under intensive study and analysis for several years, the recommendations and final regulations shifting the method of assessing payment to animal unit months and taking steps to receive the actual value of the forage are not only eminently fair but have been long overdue. Even more important, perhaps, is establishing the principle that the use of the public's forests and grasslands for grazing is a privilege and not a vested right. The fencing and posting to exclude interests cannot be tolerated.

Spreading the fee increases over a ten-year period at 10 percent each year should allow grazing permit holders an ample opportunity to adjust their operations easily to the gradual fee increases and will be a small price to pay in moving toward adequate and proper management and restoration of the resources.

Any unfairness lay in the archaic and one-sided fee system which has been replaced as it discriminated against those who lacked Federal grazing permits and had to pay full market value for forage they obtained from private lands.

We believe that the fee increase will encourage sound range management practices, equitably allow leasees to pay for actual forage used, and enhance the recreational and esthetic values of much of the National Forests and the public domain.

As an organization of over a million sportsmen, who are vitally concerned with conservation and wise use of our land and natural resources, we endorse the grazing fee increases and urge you to take the steps necessary to assure their implementation.

We feel that these new regulations are in keeping with the best interests of all citizens including conservationists, recreationists, sportsmen and those whose livestock graze the public's lands.

We respectfully request that this letter be made part of the permanent record of proceeding of the committee hearings on grazing fees on public lands.

Respectfully submitted.

FRANK C. DANIEL,
Secretary.

PRIEST LAKE SPORTSMEN'S ASSOCIATION,
Priest Lake, Idaho, February 25, 1969.

HON. HENRY M. JACKSON,
*Chairman, Committee on Interior and Insular Affairs,
Old Senate Office Building, Washington, D.C.*

DEAR SENATOR JACKSON: The District I of the Idaho Wildlife Federation wishes to support the findings of the U.S.D.A. Economic Research report to increase the grazing fees on National Forest Lands from the present figure of fifty-five cents (55¢) per A.U.M. to the proposed one dollar and fifty cents (\$1.50) per A.U.M. From our information we understand that this increase will be reached in equal amounts over a ten year period starting in 1969. This seems very fair and should not be an excessive burden to the rancher.

Further, we are informed that this increase will only effect four or five percent (4% to 5%) of the overall cost of raising beef, and that only two percent (2%) of the nations livestock are grazed on public lands. Therefore, we feel the fees are completely justified and should be put into effect immediately.

Our organization respectfully requests that this letter be included in the Senate Public Lands Subcommittee hearings February 27 and 28, on the recently announced increase in grazing fees on public lands.

Sincerely,

ALBERT L. ELKINS,
*Chairman, Public Lands Management Committee; District I, Idaho
Wildlife Federation.*

GALLATIN SPORTSMEN'S ASSOCIATION,
BOZEMAN, MONT., February 15, 1969.

Senator FRANK CHURCH,
*Chairman, Interior and Insular Affairs Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR CHURCH: The Gallatin Sportsmen's Association, speaking for sportsmen and conservationists in the Gallatin area of Montana, wishes to be on record for the February 27-28 hearing: (1) in favor of increased grazing fees to users of public land and (2) in opposition to any official recognition of the so-called "permit value" which permit holders now claim.

A minority of the cattle industry (less than 20%) enjoys the privilege of holding public land grazing permits, and it appears that a small part of this group is making all the noise in opposition to fee increases. Most cattlemen recognize that the public land permit holder has always enjoyed a subsidy in the form of token grazing fees, and we believe that a secret ballot among cattlemen would show a majority in favor of increased public use fees.

We think the facts speak for themselves. A raise to 44 cents from 33 cents per animal unit month on BLM land would cost the operator with a 100 animal permit an additional \$11.00 per month. If he grazes on public land for 6 months the extra cost would be \$66.00, or about half the price of a good yearling steer. If this type of extra cost is going to put the operator out of business then he must be in critical condition when one of his critters dies of natural causes. In the Gallatin Valley, the usual rate on private land varies from about \$3.50 to \$5.00 per animal unit month. If our operators can stay in business with these rates then surely the user of public lands can afford an 11 cents per animal unit month increase for many years to come, when he starts from a base of 33 cents in the case of BLM land.

In grazing districts where public land is included, the land is usually subleased for fees much higher than those which the Federal government receives from the same public land involved. Not only do most grazing districts make large profits by subleasing public lands, they usually look and act unfavorably on requests by members of the general public who want access to and multiple use of the public lands involved. A well documented case is the Piceance Creek area of northwest Colorado where 20 permittees pay about \$11,500 annually for grazing fees on 280,000 acres of BLM land and then collect \$17,500 from hunters in the fall for "trespass fees" on these same BLM lands. (USDA, Misc. Pub. No. 1122, Dec. 1968). We suggest that public land belongs to all of us and we further suggest that continued exclusive use by a minority will be somewhat dependent on the attitude and responsible action of current users.

We strenuously object to any official recognition of the "permit value" concept. If the Federal government recognizes capitalization of permit values (\$25.00 is the average permit value per animal unit month recognized by the livestock industry for national forest land) at 6% a year and allows this interest to be subtracted from the grazing fee, then with presently low fees the Federal government could conceivably end up paying the operator for grazing his livestock on public land. Also, such recognition might allow States to tax possessory interests of ranchers, a step that could be viewed as giving the rancher a property right for grazing on public lands.

Very truly yours,

HARRY McNEAL,
President.

SOUTH DAKOTA STOCKGROWERS ASSOCIATION,
St. Joseph, Rapid City, S. Dak., February 26, 1969.

Senator FRANK CHURCH,
Chairman, Senate Subcommittee on Public Lands,
Senate Office Building, Washington, D.C.

DEAR SIR: Although our organization will not be able to furnish a representative to appear personally before your Committee we would like to submit this written statement in regard to the proposed grazing fee increases.

An increase such as is proposed by the Department of Agriculture and the Department of Interior will have a great economic impact on the livestock industry in our State. Grazing fee increases of this amount would add another 4 to 5 cents a pound to the cost of feeder cattle which would be passed on to the consumer. If the consumer were unwilling or unable to pay the additional cost of domestic meat they will be forced to purchase more imports which are already depressing our domestic market.

Grazing fee increases of 300% to 400% are about the same as the industry has faced in increased taxes and operating expenses over the past 20 years and yet our feeder cattle prices are lower now than they were then.

We do not feel that the Federal Government further wants to widen the parity gap in the agriculture industry by making grazing fee increases of this amount.

Sincerely,

JULIAN WHIDBY,
Chairman, Public Lands Committee.

CARIBOU WOOLGROWERS ASSOCIATION,
Soda Springs, Idaho, February 21, 1969.

Senator FRANK CHURCH,
Public Land Subcommittee, Senate Interior Committee,
Washington, D.C.

DEAR SENATOR CHURCH: The Caribou Woolgrowers Association consists of sixty-four individuals and livestock Companies who presently hold sheep grazing permits upon lands within the Caribou National Forest and represent woolgrowers from Idaho, Utah and Wyoming.

This group of woolgrowers in 1968 held grazing permits for 121,649 head of sheep on the Caribou National Forest in Southeastern Idaho.

The proposed increase in grazing fees as applies to areas such as the Caribou National Forest is of great concern to the membership of the Caribou Woolgrowers Association.

This membership wishes to make this an appeal to the Public Land Subcommittees for effective action to forestall any increase in fees that are charged for grazing livestock upon Public Lands.

The economic outlook for woolgrowers in Idaho and other Western States has been clouded with increased operational costs over a period of the last several years.

Labor costs, the costs of supplies, equipment and land use costs has risen sharply over these years to the point where any further increase in operational expenses could be devastating to many operators within the sheep industry, as well as other livestock operations.

An increase in the amount charged for grazing upon Public Lands could have the effect of a lesser value on private lands owned by these sheep raisers, much of which land is used as commensurate property in securing grazing permits upon lands within the Caribou National Forest. Increased costs could possibly mean the difference between staying in the business or going bankrupt for many of the small flock operators whose livelihood depends wholly upon operational costs and would also have an adverse economical effect upon the larger flock operators.

These operators, along with other woolgrowers throughout the Western States, make a substantial contribution to the local and National economy through their expenditures related to the industry.

Vast sums of money are expended annually for labor, supplies and equipment, local and National taxes which all lends strength to the local and National economy.

Your earnest consideration of the above will be appreciated.

Very truly yours,

ROScoe J. RICH, President.

THE IZAAK WALTON LEAGUE OF AMERICA, INC.,
Fort Wayne, Ind., March 11, 1969.

HON. HENRY M. JACKSON,
*Senate Office Building,
 Washington, D.C.*

DEAR SENATOR JACKSON: This letter is written in support of proposed increases in grazing fees on the public lands. The Izaak Walton League's position has been amply placed in the record by the League's professional staff and by western state divisions of our organization, and there is no need to reiterate this rationale. However, I did want to underscore that the large midwestern components of the League are in full support of the proposed increases and would strongly oppose rescinding them or delaying their implementation. Let me be perfectly candid in observing that there is some tendency for intensive users of the public lands to infer that such use carries some form of proprietary rights in those lands. Since I have personally visited many areas of the public lands, and have been exposed to that principle, I know that is not an unfair assessment.

However, grazing rights do not, and should not, convey any proprietary or exclusive interest; the public lands are resources in which all citizens have an interest. Any special uses of those lands for enterprises conducted for profit should be compensated by appropriate permit fees and charges.

The new fee system for grazing developed by the Departments of Interior and Agriculture are, even at their new formula, nominal, and will take a decade to approach market value. Grazing permits should be considered apart from other fees, otherwise they could be interpreted as capitalization conveying a form of proprietary interest.

Sincerely yours,

THOMAS E. DUSTIN,
*National Vice President and
 Member, Public Lands Committee.*

PUBLIC LANDS COUNCIL,
Washington, D.C., March 10, 1969.

SENATOR FRANK CHURCH,
Chairman, Public Lands Subcommittee, U.S. Senate.

DEAR SENATOR CHURCH: This responds to the request from a staff member of the Committee for the text of the disclaimer statement I made during my testimony at the Grazing Fee hearings on February 28, 1969. The text follows:

"I am authorized by the representatives of the organized western livestock industry, the American National Cattlemen's Association, the National Wool Growers Association and the Public Lands Council, here today, to make the following statement:

"The western livestock industry disavows and denies any intent or desire to claim or assert as against the United States, directly or indirectly, any proprietary interest in or to the public lands or National Forest lands, purportedly arising out of the recognition by the Federal agencies of 'permit values' as a cost factor in any comparison of costs of using or grazing on the public lands compared to private lands, as in the 1966 Western Livestock Grazing Survey, except as to any rights arising under the public land laws of the United States in the same way as they apply to all other citizens."

On behalf of the Public Lands Council I want to thank you and the members of the Subcommittee for the courteous and patient consideration extended to all who participated in these hearings.

With all good wishes to you personally,
 Sincerely,

JOSEPH H. TUDOR,
General Counsel.

OREGON SHEEP GROWERS ASSOCIATION,
Enterprise, Oreg., February 22, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee, Senate Interior Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: The range livestock industry feel that if we, as individuals, are to guarantee our Government their estimate of a "fair market re-

turn" for their forage, why should not our Government guarantee us a "fair market return" on our livestock operations and capital investment?

Government agency employees, indoctrinated in deficit spending, and with guaranteed annual income, built in salary increases and fringe benefits, have programmed the computers for a predetermined figure in the Western Livestock Grazing Survey of 1966.

The Bureau of the Budget with expenditures of some 200 billion dollars, will not be helped by forcing the farmer and his employees off the land and into urban areas. Six per cent of our population is feeding this nation better than any country in history.

Private industry has pioneered range conservation, cooperating with government agencies in consolidating private investment of capital with public lands by forming economic grazing units to use marginal land. The grazing fee increase will financially ruin an industry already borrowing on its lifetime savings in real estate to continue operations.

The Western Livestock Grazing Survey of 1966 proved that livestock operators were paying for the privilege of ranching. It is shameful that forage, a perishable renewable resource, cannot be harvested economically by adjacent domestic livestock.

We have tried to resolve the range fee increases amicably, but have ended rather like the Paris Peace talks. Bureaus have put the increases into effect, now we are seeking Congressional action to force adherence to the true facts.

Sincerely,

KEN R. JOHNSON,
Chairman, Public Lands.

RAPID CITY, S. DAK., February 17, 1969.

HON. FRANK CHURCH,
Chairman of the Senate Subcommittee on Public Lands,
Senate Office Building,
Washington, D.C.

DEAR SIR: Seven years ago we purchased a half section of land near Deerfield, South Dakota in the Black Hills National Forest. This is about 52 miles west of our headquarters ranch which lies east of Rapid City, South Dakota. This ranch in the hills is commensurate for 100 head of cattle permit and has a permit on a term basis for 100 cows for a 4½ month season.

In 1967 we purchased another 280 acres of land near Pactola, South Dakota in the Black Hills National Forest. This is some 25 miles west of our headquarters. This ranch has a term permit for 46 head of cattle for a 4 month season and 39 head for a 4½ month season.

When we purchased these ranches the former owners had done a considerable amount of work in water development and fencing on Forest Service lands. In purchasing these two ranches we considered we were paying about \$20,000 for the grazing privileges and the improvements placed on Forest lands by the former owners.

Since acquiring these aforementioned properties, we have entered into range management cooperative agreements with the Forest Service which consists of several proposed water developments and several miles of fencing, all of which improvements after completion become the property of the Forest Service. However, as permittees we are expected to maintain them at our expense. Part of these proposed projects are already completed.

At this time there is no telling what these cooperative agreement improvements will cost the permittees in money but according to the tentative plans they will run into several thousands of dollars.

It should be remembered when comparing costs of grazing on Forest lands with grazing costs on private lands that the labor involved, all the necessary fencing, water development, salting, etc., are paid for by the land owner on private lands. The land owner considers all those costs when figuring the rate charged for the use of these private lands. In the case of Forest lands use, at least 50% of these improvement costs are borne by the user but owned by the Forest Service when completed.

In connection with the range management plans for the Forest areas which we use for grazing we have been informed by the range management specialist that he considers the investment for improvements over a period of years will be about \$100 per animal unit, half of which must be borne by the permittee. We consider we already have more than that invested in the grazing privileges

connected to the two ranches we own and operate in the Black Hills National Forest and that we are already paying, including improvements placed on Forest lands, fully as much for the grazing privileges there as we are paying for private leased lands on an animal unit basis.

Had we been aware of the pending raise in grazing fees we surely would never have made our investments in ranches in the Forest area but now that we have made those investments we are faced with an impossible economic situation if this fee increase stands.

It will surely cause unbearable financial hardship on the ranching industry when Forest lands are involved, and at a time when our government is deploring the plight of the nations largest industry, agriculture.

Another most important item upon which it would be difficult to place a price in dollars and cents is the fact that the land owners in the Forest areas who improve their ranches provide water facilities both on Forest land and their own land, and winter feeding for not only their livestock but also for untold numbers of wild game animals and game birds to the benefit of all hunters and all conservationists, many of whom are clamoring loudest for the raising of grazing fees. In fairness these people should be better informed as to the part ranchers are playing in the propagation of game animals and wild life in general. They should look around in the off season for hunting and learn where this wild life is finding a great share of its food and protection during the winter and spring months.

On our ranches alone it is most common to be able to count 100 or more deer grazing on our meadows to say nothing of the wild turkeys and grouse that feed around our corrals during the winter season.

We respectfully ask whether or not this important contribution on our part should have a bearing on the matter under consideration. We believe it should.

In closing may we suggest that a deeper and more complete study be made before grazing fees on the National Forest lands are allowed to be raised. We feel sure that such a study will refute any claim that such a raise is justified.

If this course is denied the Forest land users should at least be freed from any obligations for improvements of ranges in the future and the National Government should assume the full costs of all such improvements like any private landlord is obliged to do when taking in livestock for pasturage.

Respectfully,

RICHARD L. TAYLOR.
WALTER C. TAYLOR.

IDAHO CITIZENS GRAZING ASSOCIATION,
Soda Springs, Idaho, February 21, 1969.

Senator FRANK CHURCH,
Chairman, Public Land Subcommittee, Senate Interior Committee, Washington, D.C.

DEAR SENATOR CHURCH: The Idaho Citizens Grazing Association, composed of ninety members engaged in the livestock business in Southeastern Idaho, wish to enter a formal protest against the proposed increase in fees for grazing livestock upon Public lands in the Western United States.

These ninety members represent both the cattle and sheep industry and at the present time are running approximately 7,000 cattle and 55,000 head of sheep upon Public and private lands in Southeastern Idaho.

The members of this Association are all well established, long time operators who own and operate their own ranches and farms in the area, and have, over the past years, made a tremendous contribution to the overall economy of the State of Idaho.

Their contributions to the local government in the form of property taxes is a major portion of the tax base in this area.

The proposed increase in grazing fees would have the effect of a serious devaluation of the present property owned by these livestock operators due to the increased operational costs which would tend to decrease the small margin of profit these operators may expect if all other conditions are favorable, and could possibly mean the elimination of some operators due to the inability to realize a fair margin of profit.

It is hoped the Committee will give the following factors their most serious consideration during their studies and deliberations of the proposed increase in grazing fees:

The overall effect upon the livestock industry throuout the entire West.

The loss of value to long established ranches and farms which has served as commensurate property in the procurement of grazing permits upon Public Lands.

The possible economical effect upon the local areas due to the loss of revenue derived from the livestock industry thru their contributions to local government thru property taxes; their contributions to the local business structure thru their purchase of supplies and items of equipment necessary in the operation of the livestock industry.

The effect upon the farm laborers who are employed within the livestock industry and who constitute a major portion of the labor payroll thruout Idaho and the other Western States. Reduced profits to the livestock operator could only lead to the reduction in the number of persons employed within the industry.

Last, but not least; increased costs to the livestock operator can have a tremendous economic effect upon the whole Western United States and subsequently upon the rest of the Nation. History will prove that back thru the years, the livestock industry has been a MAJOR industry thruout the West.

This Association requests your consideration of the foregoing factors and will be very appreciative of any effort to forestall an increase in grazing fees applicable to the use of Public Lands by the livestock industry.

Very truly yours,

ROScoe J. RICH, *Vice President.*
J. F. WOODHALL, *Secretary.*

71 LIVESTOCK ASSOCIATION,
Rogerson, Idaho, February 25, 1969.

HON. FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: On February 20, 1969, the 71 Livestock Association, at their semi-annual meeting at the Rogerson Hotel, Twin Falls, Idaho, adopted the following resolution:

"Whereas, the Secretaries of Agriculture and Interior have announced a program of fee increases on the BLM and Forest Service Lands, and,

"Whereas, said fee increase is not in accordance with the survey conducted by the Statistical Reporting Service if all fifteen costs agreed upon were used, and,

"Whereas, the implementation of said fee increase would place undue strain on the financial stability of the permittees and the surrounding business communities: Now, therefore, be it

"Resolved, That the 71 Livestock Association go on record as being opposed to said fee increase and that a copy of the resolution be sent to the proper congressional delegates."

The members of the 71 Livestock Association believe in paying a fair value for the forage that they receive on public lands. We were willing to abide by and participate in the survey conducted by the Statistical Reporting Survey. We also believe that it is presumptive for the Secretaries of Agriculture and Interior to embark on a ten year program of fee increases with the studies of the Public Land Law Review Commission still incomplete.

For the BLM and the Forest Service to deny that permits have value is almost beyond comprehension. The Internal Revenue Service places "value on permits" when it figures estate taxes. When permits are withdrawn for military use the permittee is paid the market value for his loss. As almost anyone knows, the question of value is determined by "what it will bring on the open market." There is no question that these permits are bought and sold. Often the BLM and Forest Service officials are called upon to help establish these prices. The Forest Service admits in its January 15, 1969, release that forest permits have a value of approximately \$178,000,000, which is used as partial security for long term mortgages of \$330,000,000. Most of the lenders require "waiver of grazing privileges" which are freely given by the Forest Service. The Forest Service estimates that, in addition to the present fees, the permittees are contributing about 1.3 million dollars annually for range improvements on federally owned range. This, they admit, will probably cease. Many of us in the livestock industry and government bureaus have worked many years to bring about a feeling of cooperation and understanding between the administrators of public range and the permittees. This is necessary for the proper use and administration of the range. It is a shame to destroy this with this unjustified attack upon the users of the public range.

The impact of the proposed fee increase upon the economy of this area would be tremendous. The Idaho Associated Tax Payers claim that one generating dollar spent on Main Street multiplies nine times before it leaves the community. If the ultimate fee increase is 90¢ per AUM, this would mean there would be a loss of approximately \$925,000 annually in the business communities of Twin Falls, Buhl, Filer and Hagerman. This is based on 114,268 AUM's of Federal range used by members of the 71 Livestock Association. In addition there are several other grazing associations in this area. These dollars that would be sent to Washington would be lost to our area forever. The Federal Government recognizes that many of our current economical and sociological problems are due to the poverty and lack of economical opportunities on the ranches, farms and small towns of our rural areas. To remedy this they have set up many special programs to aid the farmers and ranchers. The FHA makes many low interest, long term loans. The Rural Area Development has been initiated. In our own area the Cedar Creek Water Shed Project has been dedicated. This fee increase will seriously challenge the ability of the farmers and ranchers to make their annual payments.

All of the members of our association operate family size units. Most of us have children who would like to remain on the ranch but with this threat to our capital structure, plus the increase in our operating costs, it is doubtful if there is a future for them on our farms and ranches. Perhaps it would be wiser to urge them to join the mass migration from the rural areas to the cities.

Very truly yours,

J. W. SWAN, *President.*

IDAHO LIVESTOCK PRODUCTION CREDIT ASSOCIATION,
Boise, Idaho, February 26, 1969.

Senator HENRY JACKSON,
Chairman, Senate Interior and Insular Affairs Committee,
Washington, D.C.

DEAR SENATOR JACKSON: I am President of the Idaho Livestock Production Credit Association, Boise, Idaho. This institution was organized in 1934 for the specific purpose of providing short term credit for the sheep and cattle industry. Since organization thru 1968 our association has loaned \$221,165,789.00 to ranchers throughout the State of Idaho. During the past year our loan volume was nearly \$24,000,000.00. At our annual stockholders meeting held January 31, 1969, the members present unanimously adopted a resolution authorizing the proper officers of the association to direct letters to the Secretary of Agriculture, Secretary of the Interior, the Idaho congressional delegation, and the chairmen of the various committees conducting hearings on grazing fees, protesting the proposed increase in grazing fees on public lands under the direction of the United States Forest Service and the Bureau of Land Management.

For many years the profit margin in the livestock industry has been narrowing. The cost of operating the ranching enterprise has increased many times over the price received for the products they have for sale. Any increase in grazing fees will add substantially to the annual operating costs of these ranchers, resulting in even narrower margins of operating income for all, and increasing operating losses now being suffered by many. According to the United States Department of Agriculture Statistical Reporting Service, in January 1969, beef cattle are reported at 78% of parity, sheep at 79% of parity, and wool at 44% of parity. This in itself is evidence that the livestock industry is not in a position to support the additional burden of increased grazing fees. If this disparity continues in the future at the rate it has in the past, we are concerned about the problem of providing adequate funds for the continuation of any but the most financially solvent ranching operations. We believe this would not be in the best interest of the livestock industry or the national economy. At the present time we are financing some marginal loans that cannot withstand any increase in operating costs, and continue to remain in the ranching business, without a commensurate increase in income.

In view of the extremely difficult position in which we find ourselves attempting to continue financing the livestock industry, and the added financial burden it will put on the ranchers, we respectfully urge that you use the influence of your office to prevent the proposed grazing fee increase from being put into effect.

With best personal regards, I am,

Very truly yours,

WILBUR F. WILSON, *President.*

EASTERN IDAHO GRAZING ASSOCIATION,
Blackfoot, Idaho, February 20, 1969.

CHAIRMAN, PUBLIC LAND SUBCOMMITTEE,
HOUSE INTERIOR COMMITTEE,
House of Representatives, Washington, D.C.

DEAR SIR: This Association, consisting of about eighty individual members in Southeastern Idaho—some engaged in the cattle business and others in the sheep business—and all users of public grazing lands, respectfully PROTEST the proposed increase in grazing fees, as such increase can not be justified under the economic conditions of this area.

Respectfully submitted.

EARL W. CORY,
Secretary-Treasurer.

MALTA, IDAHO, February 24, 1969.

Hon. FRANK CHURCH,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SIR: Please find enclosed a copy of the Grazing Fee Resolution that was submitted to you previously. There are not as many signatures on this "file" copy because we didn't have the time to take the resolution to everyone.

However the Raft River Cattleman's Assn. would like this resolution made a part of the hearings you are conducting on 27-28 February 1969.

We are still opposed to the fee increase.

Thank you.

Respectfully,

ALBERT J. COTTELE,
Secretary, Raft River Cattleman's Association.

RESOLUTION OF THE RAFT RIVER CATTLEMAN'S ASSOCIATION

The Raft River Cattleman's Association, duly assembled at their Annual Meeting of the members at Malta, Idaho on December 19, 1968 does hereby adopt the following resolution:

"We request that there be no change at this time in either the grazing fee or the formula that has been used to arrive at such fee."

This request was made after due consideration and recognition of the following factors:

1. The Secretary of Interior in arriving at the proposed grazing fee did not consider all the costs of running livestock on Federal land that were pointed out in the study by the Statistical Reporting Service—namely, the capitalization of the cost of the permit. The permit value is recognized by other Government agencies, particularly the Internal Revenue Service, on appraising ranch estates for tax purposes and is also recognized by Government lending agencies.

2. Any change in the regulations of such magnitude as the proposed raise in grazing fee should await the recommendation of the Land Law Review Commission and/or Congressional Hearings due to the economic impact upon the local economy of the Western States.

3. We contend that such a proposal is actually contrary to the intent of the Taylor Grazing Act which says, in effect, fees shall be fair and equitable and the intent of the Act was to stabilize the livestock industry.

4. Any increased cost of operating on Public land will result in a corresponding increase in costs on private land and, according to the proposed formula, will automatically increase Federal fees.

IDAHO STATE CHAMBER OF COMMERCE RESOLUTION

Whereas, representatives of the livestock industry in Idaho and the western states have expressed serious concern over proposals to comply with the Bureau of the Budget's circular A-25, requiring full, fair-market value for forage resources on lands administered by the Bureau of Land Management; and

Whereas, the purpose of the Taylor Grazing Act, as amended, was to "stop injury to the public grazing lands by preventing overgrazing and soil deteriora-

tion, to provide for their orderly use, improvement and development and to stabilize the livestock industry dependent upon the public range, and for other purposes"; and

Whereas, this Act, the basic conservation and grazing authority for the Bureau of Land Management under section 3, indicates that a permittee is to pay an annual "reasonable" fee; and

Whereas, a fair-market fee is not compatible with a "reasonable" fee and does not contribute to one of the basic purposes of the Taylor Grazing Act, which is stabilization of the livestock industry; and

Whereas, the Congress is concerned with correcting the plight of agriculture, which is now at 73 per cent of parity; and

Whereas, the Public Land Law Review Commission already has under way studies and discussions on forage problems on Federal public lands and on revenue-sharing from these resources with states and counties;

Now, therefore, be it resolved, that these proposed increases not be put into effect at this time; nor should such increases be considered until the Public Land Law Review Commission has completed its studies and submitted its findings and recommendations; and

Be it further resolved, that copies of this resolution be forwarded to each member of the Idaho Congressional delegation and to the appropriate Committees in the Congress.

Approved February 19, 1969.

ROBERT T. PAINE, *President.*

HUGH A. WILSON, *Executive Vice President.*

D. L. EVANS & Co., BANKERS, *Albion Idaho, February 24, 1969.*

Senator LEN JORDAN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR JORDAN: We understand that the hearings are to be conducted the latter part of this week on the proposed increase on grazing fees. We would like very much to enter our formal letter of protest to this increase in grazing fees.

The stockmen in our area are very dependent upon the grazing permits issued by the Federal Government on the U.S. Forest Service land and on the Bureau of Land Management property. Legal requirements set forth by the Forest Service and the Bureau of Land Management require the stockman to own and control sufficient private land and/or water resources to sustain his livestock while they are not grazing on federally owned land, which has resulted in the dollar value of the permit to be capitalized into the total ranch investment. The rancher has depended greatly upon the supply and demand of federal forage to maintain his economic unit.

The present proposal will increase grazing fees four times the present rate over the next ten year period. This increase, along with the other expenditures necessary to finance the range and water shed improvements, stock watering facilities, and roads would put a great economic strain on the ranchers. Very few of our borrowers are in a position to absorb this additional cost and still maintain solvency. In order for the rancher to remain in business, he will be forced to increase his prices on the beef produced and, of course, the consumer will be the loser.

We urgently solicit your support in defeating this proposal, since we feel it is detrimental to the economics of these ranchers.

Sincerely,

JAY L. NIELSEN, *Executive Vice President.*

ENTERPRISE, OREG., *February 26, 1969.*

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Increased grazing fees detrimental to economy of whole community as well as livestock industry. Please help defeat.

PRATT INSURANCE AND REAL ESTATE AGENCY.
WALLOWA VALLEY INSURANCE AGENCY.
FARRIS INSURANCE AGENCY.

ENTERPRISE, OREG., February 26, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Urge support halting grazing fee raise. Livestock industry basic industry of our area.

WILLIAM R. KIRBY,
District Attorney, Wallowa County.

ENTERPRISE, OREG., February 27, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Highly favor American National Cattlemen's Association and National Wool-growers decision against grazing fee increase.

WALLOWA COUNTY STOCKGROWERS ASSOCIATION.

ENTERPRISE, OREG., February 26, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Urge your support blocking grazing fee raise. Livestock industry stabilizing facet in our business. Increase in their operating cost would greatly affect welfare of community.

DON CONNOR Food Store, BILL DEGROFT Hardware, ROLAND FREELS
Fuel, HUBERT CROW 66 Service, Wallowa, Oregon.

ENTERPRISE, OREG., February 26, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Firmly believe in grazing fee increase. Postponement by Public Land Law Review Commission used to determine fair market value.

ERWIN REAL ESTATE,
WALLOWA TITLE CO.,
FREDS MARKET.

BREMERTON, WASH., February 27, 1969.

Senator HENRY M. JACKSON,
Senate Office Building, Washington, D.C.:

Lumber and plywood price increases are extreme. Serious crisis threaten our industry. Respectfully urge Congressional action implementing immediate export embargo, increase timber cutting on Federal lands and investigation of domestic pricing practices. Will appreciate your help.

ORVILLE FISK,
President, Home Builders Association of Kitsap County.

ENTERPRISE, OREG., February 26, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Request assistance defeating grazing fee increase. Wallowa County and Oregon dependent on range livestock operations.

J. CHEATHAN,
Manager, Bank of Wallowa.
A. DAISLEY,
Mayor of Joseph, Oreg..

ENTERPRISE, OREG., February 26, 1969.

Hon. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Firmly believe in grazing fee increase postponement and study by Public Land Law Review Commission used to determine fair market value. Possible elimination this facet of multiple use by overcharging detrimental to food producing ability of Nation, production and use of game animals and fish, acceptance of game animals, birds, hunters, fisherman, others on private lands and taxpayers of Nation who would have to make up for this revenue loss.

MORGAN VETERINARY CLINIC.

MONTPELIER, IDAHO, February 26, 1969.

Senator LEN JORDAN,
Senate Building, Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would siphon off money from the communities if the capitalized value of the permit is disregarded at the end of 10 years. The permittees assets will have diminished to the extent the permit was worth the grazing fee increase would lessen the incentive to spend private money on the public land. As it is there is considerable private money invested in conservation on the public land that benefits everybody.

MAX BARTSCH,
President, Bear Lake Land and Livestock Co.

MONTPELIER, IDAHO, February 25, 1969.

Senator LEN B. JORDAN,
Senate Building, Washington, D.C.:

The board of supervisors is very much opposed to the grazing fee increase as set forth by the Secretaries of Interior and Agriculture. It would bring to a halt the conservation that is now being applied to the public land by the means of private money and know-how. The incentive to spend private money on conservation by the grazing permittee is to protect the capital he has tied up in the grazing permit. The total disregard of this permit value by the Secretaries will raise economic havoc with the permittees and make their ranching operations shaky.

BEAR LAKE SOIL COSERVATION DISTRICT.

MONTPELIER, IDAHO, February 25, 1969.

Senator LEN JORDAN,
Washington, D.C.

DEAR SIR: I am opposed to the increase in grazing fees on BLM and forest lands as it will have a tendency to decrease the economy of our communities, compel many users of public lands to dispose of their individual holdings and move to larger communities to supplement their income lessen their individuality which is lacking in this great Nation of ours.

Sincerely yours,

CECIL QUAYLE.

MONTPELIER, IDAHO, February 25, 1969.

Senator LEN JORDAN,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would siphon off money from the communities. If the capitalized value of the permit is disregarded at the end of 10 years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land as it is there is considerable private money invested in conservation on the public land that benefits everybody.

BEAR LAKE CATTLEMEN'S ASSOCIATION,
WALTER HUNZEKER.

OVID, IDAHO, February 23, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SIR: I am protesting the increase in grazing fees that has been proposed. This increase will not only make a big operating cost even bigger but will put a lot of people out of business. I'm a member of a cattle ass'n that is affected.

Sincerely,

DALE AUSTIN.

MALTA, IDAHO, February 24, 1969.

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: On studying the recent hike on our grazing fees, I thought I would like to express my views.

This is going to be a real blow to the stockmen of Idaho if it goes through. It will also have a real bad effect on the economy of our small communities.

About sixteen years ago through the cooperation with the Bureau of Land Management, my brother and I developed a large pasture. At the time we started on this project there was very little feed on this land. Sage bush was so high you could hardly ride a horse through it.

Now it is a beautiful field of crested wheat grass with a carrying capacity of at least eight times what it was before.

We spent a lot of hard earned money and work, and feel that the fee increase is unjust, and we'll sure appreciate anything you can do to help us in this situation.

We sincerely appreciate what you are doing for Idaho, and wish you much success in the future.

Yours truly,

BLAINE WIGHT.

HOUSTON, TEX., March 15, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.:

For the record of the hearing, Texas Conservation Council applauds fee increases announced by Bureau of Land Management and Forest Service. We consider it unfair to subsidize ranchers using Federal lands through lower grazing fees than charged on private lands. We oppose permitting stockmen to subtract cost of acquiring Federal permits because this would give tacit recognition of permit as proprietary right.

LAURENCE N. DEXTER,
Board Chairman, Texas Conservation Council.

JEFFERSON CITY, Mo., March 7, 1969.

Senator FRANK CHURCH,
Old Senate Office Building,
Washington, D.C.:

Missouri Department of Conservation supports new grazing fees established by Bureau of the Budget based on fair market value.

CARL R. NOREN,
Director, Missouri Department of Conservation.

SUSANVILLE, CALIF., March 5, 1969.

Hon. F. CHURCH,
Chairman, Public Lands Subcommittee, Senate Building,
Washington, D.C.:

Strong opposition to increase in grazing fees feel was unfair and uncalled for maneuver.

JACK SWICKARD.

AURORA, OREG., February 18, 1969.

Senator FRANK CHURCH,
Interior and Insular Affairs Committee, New Senate Building,
Washington, D.C.:

The Oregon division Izaak Walton League of America urges that the increases in grazing fee's announced last month by the Secretaries of Agriculture and Interior be implemented without further delay. We further urge that market value be charged for all commercial uses of Federal land and oppose granting of any property rights in Federal land to lessee's or permittee's.

LEIGHTON WHITSETT,
President, Oregon Division Izaak Walton League.

MALAD CITY, IDAHO, February 25, 1969.

Senator FRANK CHURCH,
Senate Offices, Washington, D.C.:

Please oppose the grazing fee increase and rescind the order to increase the fee request that they wait for the Public Land Law Review Commission hearing. We feel increase in fees will decapitalize investments in permits and increase costs to an industry which is already operating on precariously low margins.

LAMAR THOMAS,
President, St. John Forest Users Association.

MONTPELIER, IDA., February 25, 1969.

Senator FRANK CHURCH,
Washington, D.C.

DEAR SIR: I am opposed to the increase in grazing on BLM and forest lands as it will have a tendency to decrease the economy of our communities, compel many users of public lands to dispose of their individual holdings and move to larger communities to supplement their income lessen their individuality which is lacking in this great Nation of ours.

Sincerely yours,

E. P. KEETCH.

MONTPELIER, IDA., February 25, 1969.

Senator FRANK CHURCH,
Washington, D.C.

DEAR SIR: I am opposed to the increase in grazing fees on BLM and forest lands as it will have a tendency to decrease the economy of our communities, compel many users of public lands to dispose of their individual holdings and move to larger communities to supplement their income, lessen their individuality which is lacking in this great Nation of ours.

Sincerely yours,

CECIL QUAYLE.

MALAD CITY, IDAHO, February 25, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.:

Please be advised of our concern with the increase in grazing fees on BLM lands. We feel they are unreasonable and unrealistic and should be held where they were pending the findings of the Land Law Review Commission.

CONRAD C. ALDER,
Secretary, Samaria Grazing Association.

LEWISTON, IDAHO, February 25, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.:

The Greater Lewiston Chamber of Commerce board of directors has gone on record as agreeing with the Idaho Cattlemans Association statement before the

public hearings of the House Interior and Insular Affairs Committee both in the Senate February 27 and 28 and the House March 4 and 5. This board agrees with the association statements as follows: (1) ask Congress to rescind the Agriculture Interior Department's order of November 15, 1968, and adjust grazing fees according to the findings of the SRS study of 1966. (2) Hold the order of grazing fee increases in abeyance until the Public Land Law Review Commission has made its report. (3) Ask the Congress of the United States to establish a grazing fee formula by law based on sound economics studies to set fees which shall take into account the extent to which such (grazing) districts yield public benefit over and above those occurring to the users of the forage resources for livestock leasee.

We would appreciate this endorsement of the Cattlemen's Association as part of the record.

THOMAS W. FEENEY,

President, Greater Lewiston Chamber of Commerce.

MONTPELIER, IDAHO, February 25, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.:

The board of supervisors is very much opposed to the grazing fee increase as set forth by the Secretaries of Interior and Agriculture it would bring a halt the conservation that is now being applied to the public land by the means of private money and know-how. The incentive to spend private money on conservation by the grazing permittee is to protect the capital he has tied up in the grazing permit the total disregard of this permit value by the Secretaries will raise economic havoc with the permittees and make their ranching operations shaky.

BEAR LAKE SOIL CONSERVATION DISTRICT.

MONTPELIER, IDAHO, February 25, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities if the capitalized value of the permit is disregarded at the end of 10 years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land. As it is there is considerable private money invested in conservation on the public land that benefits everybody.

MAX BARTSCHI,

President, Bear Lake Land and Livestock Co.

MONTPELIER, IDAHO, February 25, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities. If the capitalized value of the permit is disregarded at the end of 10 years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land. As it is there is considerable private money invested in conservation on the public land that benefits everybody.

MAX BARTSCHI,

Committee Chairman, Bear Lake County Farm Bureau.

MONTPELIER, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities. If the capitalized value of the permit is disregarded at the end of 10 years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land. As it is, there is considerable private money invested in conservation of the public land that benefits everybody.

BEAR LAKE CATTLEMENS ASSOCIATION,
WALTER HUNZEKER.

MONTPELIER, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities. If the capitalized value of the permit is disregarded at the end of 10 years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land. As it is, there is considerable private money invested in conservation on the public land that benefits everybody.

CARIBOU CATTLEMENS ASSOCIATION,
LEE S. WEDEL, *Secretary.*

MONTPELIER, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
Senate Building, Washington D.C.:

I am definitely opposed to the grazing fee increase by the BLM and Forest Service as proposed by the Bureau of the Budget. The failure to recognize the capitalized value of permit as a cost of doing business may well be the economic ruin of the livestock producers. Over the years stockmen have invested private money in conservation on the public land which has proven to be beneficial to the public as well as themselves. The grazing fee increase would discourage the stockmen to continue to do this sort of thing. Please register protest at hearings.

WALTER DIMOND.

MALAD CITY, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
Washington, D.C.:

Please oppose the grazing fee increase and rescind the order to increase the fee. Request that they wait for the Public Land Law Review Commission hearings. We feel increase in fees will decapitalize investments in permits and increase costs to an industry which is already operating on precariously low margins.

DEWEY FREDRICKSON,
President, Malad Forest Users.

MALAD CITY, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
Senate Offices, Washington, D.C.:

Please oppose the grazing fee increase and rescind the order to increase the fee. Request that they wait for the Public Land Law Review Commission hearings. We feel increase in fees will decapitalize investments in permits and increase costs to an industry which is already operating on precariously low margins.

CURLEU CATTLE ASSOCIATION,
BERT ILIASON, *President.*

MALAD CITY, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
Senate Office, Washington, D.C.:

Please oppose the grazing fee increase and rescind the order to increase the fee. Request that they wait for the Public Land Law Review Commission hearing. We feel increase in fees will decapitalize investments in permits and increase costs to an industry which is already operating on precariously low margins.

PLEASANT VIEW LIVESTOCK ASSOCIATION,
PERRY IPSEN, *President.*
MILTON JONES, *Secretary.*

SALT LAKE CITY, UTAH, *February 27, 1969.*

Senator FRANK CHURCH,
Senate Building, Washington, D.C.:

The Utah Cattlemen's Association sincerely thanks you and your committee for the Grazing Fee Hearings. We wish to concur with the testimony of the American National Cattlemen's Association and consider them to be the spokesmen for our association.

SHERMAN D. HARMER.

ENTERPRISE, OREG., *February 26, 1969.*

Hon. FRANK CHURCH,
Chairman, Public Lands Subcommittee, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Urge support halting grazing fee raise. Livestock industry basic industry of our area.

WILLIAM R. KIRBY,
District Attorney, Wallowa County.

ENTERPRISE, OREG., *February 26, 1969.*

Hon. FRANK CHURCH,
Chairman, Public Lands Subcommittee, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Increased grazing fees detrimental to economy of whole community as well as livestock industry. Please help defeat.

PRATT INSURANCE AND REAL ESTATE AGENCY.
FARRIS INSURANCE AGENCY.
WALLOWA VALLEY INSURANCE AGENCY.

ENTERPRISE, OREG., *February 26, 1969.*

Hon. FRANK CHURCH,
Chairman, Public Lands Subcommittee, Senate Interior Committee,
Senate Office Building, Washington, D.C.:

Request assistance defeating grazing fee increase. Wallowa County and Oregon dependent on range livestock operations.

J. CHEATHAM,
Manager, Bank of Wallowa County, Joseph, Oreg.
A. DAISLEY,
Mayor of Joseph, Oreg.

DELANCO, N.J., *February 20, 1969.*

Senator HENRY M. JACKSON,
Chairman, Senate Committee on Interior and Insular Affairs,
Senate Office Building,
Washington, D.C.:

Most concerned over grazing regulations for public lands. Organizational sentiment statewide supports updating grazing fees to an equitable charge based

on fair market value. Are in full accord with proposed changes recorded Federal Register November 16, 1967.

Sincerely,

RANDLE N. FAUNCE,
President, New Jersey State Federation of Sportsmen Clubs.

ENTERPRISE, OREG., February 27, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee,
Senate Interior Committee,
Senate Office Building,
Washington, D.C.:

Urge your support blocking grazing fee raise. Livestock industry stabilized facet in our business. Increase in their operating cost would greatly affect welfare of community.

DON CONNOR FOOD STORE.
BILL DEGROET HARDWARE.
ROLAND FREELS FUEL.
HUBERT CROW 66 SERVICE.

WALLOWA, OREG.

ENTERPRISE, OREG., February 26, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee,
Senate Interior Committee,
Senate Office Building,
Washington, D.C.:

Firmly believe in grazing fee increase postponement and study by Public Land Law Review Commission used to determine fair market value.

ERWIN REAL ESTATE.
WALLOWA TITLE CO.
FRED'S MARKET.

ENTERPRISE, OREG., February 26, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee,
Senate Interior Committee,
Senate Office Building,
Washington, D.C.:

Highly favor American National Cattlemen's Association and National Wool-growers decision against grazing fee increase.

WALLOWA COUNTY STOCKGROWERS ASSOCIATION.

MONTANA STOCKGROWERS ASSOCIATION, INC.
February 24, 1969.

Senator FRANK CHURCH,
Chairman, Public Land Subcommittee, Senate Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH: Your committee is holding hearings on the matter of grazing fees to be charged for public lands. While only part of the 5,500 cat-the producer members of the Montana Stockgrowers Association lease public grazing themselves, they are all concerned with the economy of our beef cattle industry and of our state.

The steps taken in recent months by the federal agencies involved in management of public lands is not specifically a matter of the amount of the fees to be charged. The fee formula established under the Taylor Grazing Act is adequate and suitable to set the fee at any necessary and reasonable level if the Secretary determines that a change in fee is warranted. In fact, the results of the 1966 Western Livestock Grazing Survey, which was conducted for the purpose of establishing a sound economic basis and equitable comparison of

total grazing costs for running cattle and sheep on public vs. private lands, made clear that a 30% increase in grazing fees was justified. This was ignored by the Secretary of the Interior until recently when a distorted version of the study was purported to justify not only a 400% increase in fees but also 100% denial of the long-recognized permit value as a cost of doing business.

So what is immediately involved in the action taken by the Secretary is a serious breach of faith with the livestock industry and an arbitrary action setting up a new method of setting fees that abrogates the specific terms of the Taylor Act. The industry entered into the special study in good faith on the basis that a careful and comprehensive comparison of all grazing costs for private and public lands would serve as an equitable and realistic means of establishing the economic value of an AUM of forage and thereby make it possible for the adjustment of fees where indicated.

There were 15 individual public and private cost items included in the study, including the dollar market value of the livestock grazing permit or lease. The subsequent denial of this permit value as a cost factor has distorted the entire effort. Practically all governmental agencies clearly recognize this permit value as a specific investment and cost as do the many other agricultural lending institutions throughout the west loaning money to ranchers.

The far reaching economic implication of this recent action should be taken into consideration. In Montana alone the market value or ranch assets will be pared down by the millions—some \$20.7 million by BLM and \$12.0 million by Forest permittees—a matter of 343 million dollars throughout the West. Few industries could withstand such adjustments in their capital structure.

Perhaps of even greater importance to more people are the public benefits that exist under administration of public lands as envisioned by the Taylor Grazing Act. In fact, Section 3 of the Taylor Act provides the sole standard and authority for the Secretary of the Interior in the determination of grazing fees, namely, "reasonable" . . . "to be fixed or determined from time to time and in fixing the amount". . . the Secretary is to "take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes . . ."

These public benefits are myriad and of great value.

Range cattle and sheep operators using public lands in connection with their private lands for grazing livestock have over the years, provided access to the public lands and thereby making available their private lands for easy and convenient access. Millions of dollars have been invested on both private and public lands for range improvements in the form of water development, clearing of brush and noxious weeds, reseeding of ranges, building roads and fences, etc. All of these improvements not only add to the productivity and value of the range for livestock and game, but also results in many reciprocal benefits to the public in general.

Both public benefits and the value of the livestock grazing permit are closely related to the multiple-use concept. While only specific uses make monetary contributions through payment of fees and rents, all uses benefit from the combination of private and public lands. A partnership of mutual trust is essential for all to benefit.

We would most sincerely recommend that administrative agencies follow present laws and do so in cooperation with all who participate. Where grazing fee increases are justified, they should be done with the formula used over the years. Should any new concepts be necessary, they should be based on complete factual studies and not be designed to fit preconceived standards.

Inclusion of this statement in your hearing records and your committee's assistance in restoring stability to the administration of public lands will be appreciated.

Sincerely,

RALPH MIRACLE,
Secretary.

CLARK COUNTY STOCKGROWERS ASSOCIATION, INC.,
Dubois, Idaho, February 24, 1969.

Hon. LEN JORDAN,
Washington, D.C.

DEAR SENATOR JORDAN: Thank you for your kind consideration and the concern you have shown our organization in the recent fee raise in the livestock industry.

We will not be at the Senate hearing so we will not request you make this letter a part of the record.

We only urge you to continue your efforts to hold the grazing fee hike in abeyance or at the level it is at the present time.

Thanking you for your favors, we remain

Cordially yours,

LYNDON LAIRD,
Clark County Stockgrowers Association.

WALLOWA, OREG., February 25, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Senate Office Building,
Washington, D.C.

DEAR SIR: I am writing to protest the increases in grazing fees that will soon hit the western cattlemen using public lands. These increases, recommended by Secretaries Freeman and Udall, if allowed to continue in force, will cause undue hardships to many cattlemen. Many communities here in the West will also suffer from loss of income, which will mean less employment, the loss of income being caused by cattlemen having less money available for local use.

Perhaps a less drastic scale of fee increases would be more in line with the multiple use concept of public lands. I see no reason why our government agencies should force a wealth-creating industry off the public lands in favor of the conservation groups who don't create wealth, but, on the contrary, cost the government money to clean up the litter and repair the damage they leave behind when using the public lands.

This policy goes hand in hand with the imports of meat into our country. It seems that the majority of our law makers in Washington feel that agriculture must adjust to all the elements, the imports, and the unjust laws that were passed for the consumer benefit, or quit. I believe that there are a lot of good sound thinking people in our government who know that all of agriculture must stay healthy if the whole economy is to stay healthy. If agriculture continues as now—the low industry in our economy—it will certainly drag our whole economy down to a much lower level.

I am a cattleman who runs mainly on private land, having only a 40-acre BLM lease, so the fee increase does not affect me. I'm writing you because I feel the fee increase is too drastic. Being a fair, open-minded person, I'm hoping you will use your influence to keep the grazing fee more in line with what the cattlemen can afford to pay which, in my opinion, is a much smaller increase.

Very truly yours,

HOWARD M. JOHNSON.

JOSEPH, OREG., February 25, 1969.

HON. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
U.S. Senate.

DEAR SENATOR JACKSON: Let me introduce myself. My name is Malcolm W. Dawson. I am, and have been for 15 years, engaged in general farming in Wallowa County, Oregon, raising hay, grain, and livestock. I am not a permittee on any Federal or State lands, B.L.M., Forest Service or other.

However, I feel I have a stake in the welfare of the livestock producer who is. Let me state that I am not opposed to a reasonable increase in grazing fees on the lands in question. However, I feel the proposed increases are more than unreasonable. They would literally put many producers out of business in this county—and elsewhere I am sure. As you must know, prices received by producers have stayed on a fairly level plane for the past 20 years, while costs have continued to skyrocket. I can see no reason for an increase in prices to the producer to cover these proposed increases in fees. It would seem that these staff members and others who propose these increases certainly don't have the interests of the producer in mind. Rather it would appear that the intent is to eliminate livestock from the federal lands in favor of a limited use concept, instead of the multiple use concept we have been practicing.

The adverse impact of this concept upon the economy of this rural community would be great indeed, as approximately one half of the total income of our county is from agriculture and about one half of this is from livestock.

If there should be a corresponding cut back in timber cut on federal lands in favor of recreation, we would be further adversely affected, as nearly one half of our total economy is from timber production.

I am greatly concerned that there is a move to change the multiple use concept in favor of limited use without extensive hearings on this subject. For this reason I plead for a delay in the increases until the people can be heard.

I hope you and your committee will give careful considerations to these facts and ideas I have expressed.

Sincerely,

MALCOLM W. DAWSON.

ARDMORE, PA., February 25, 1969.

Senator FRANK CHURCH,

Chairman, Subcommittee on Public Lands, Senate Committee on Interior and Insular Affairs, Senate Office Building, Washington, D.C.

DEAR SIR: I wish to let you know of my concern over the fees for grazing on Public lands. It is my feeling that Public lands belong to us all equally; that a certain few citizens should not have special privileges allowing them to graze their animals at prices far below fair market values. Evidence has shown, in addition, that often the interest of such citizens is purely in their own individual (maximum) profit. They do not show the respect due public lands, and are sometimes willing to permit overgrazing which results in great damage to that land.

It is my feeling that the grazing fees which the Western universities and Agriculture's Economic Research Service have established are more fair and valid than those suggested by the Stockmen's lobby. I believe they would show improved land management.

I understand the hearing comes before the Senate on February 27. I hope it will not be too late to make my letter a part of the Record of that Hearing.

Thank you for your consideration.

Yours truly,

SARA W. ANDREWS

Miss Sara W. Andrews.

HYATTESVILLE, MD., February 25, 1969.

Senator FRANK CHURCH,

Chairman, Subcommittee on Public Lands, Washington, D.C.

DEAR SENATOR CHURCH: As a citizen and part owner of the Public Lands, I protest subsidizing profits of the stockmen by letting them use the lands at unreasonably low rates. I really don't see why the rates should rise to "fair market value" over a period of 10 years, either. If the public pays "fair market value" for the products, the producers can certainly pay fair market value for their feed. If any changes are made in the proposed schedule of rates, let us first protect the public interest in their own property.

Please make my letter a part of the Record of Hearing.

Sincerely,

LOIS N. SHORES,

Mrs. James W. Shores.

CHICAGO, ILL., February 13, 1969.

Hon. FRANK CHURCH,

U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH: This is to urge the retention of the new grazing fee rates recently established by former Secretaries Udall and Freeman.

I believe this public land should be managed with the established multiple-use concept for the benefit of the general public and that the livestock industry should not continue to receive a subsidy in the form of unrealistically low grazing fees. The livestock industry has come to consider the use of these public

lands as a right. Since the land belongs to all of us, I do not think this should be permitted to continue.

Sincerely,

FREDERICK C. PULLMAN.

GRAND VIEW, IDAHO, February 20, 1969.

Hon. FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: As Chairman on the hearing concerning grazing fee increases, I ask that you consider our problems in Owyhee County.

Such a tax increase in grazing fees would definitely reduce the number of cattle raised in Owyhee County, thus reducing wages paid and goods bought in our county; as well as, reducing the total spendable income.

Under-grazed lands would increase fire hazards, increase undesirable vegetation due to lack of grazing and decrease water yield in an already short watershed (Owyhee Reservoir and Antelope Reservoir).

With fewer cattle, the county tax base would also be reduced; in short, such a grazing fee increase could have a disastrous effect upon the growth and economy of our county.

I sincerely hope that you will see fit to use your considerable influence to oppose this attempt to increase the grazing fees.

Sincerely,

OSCAR B. FIELD,

Chairman, Board of County Commissioners, Owyhee County.

RESOLUTION OF THE PACIFIC NORTHWEST CONSERVATION COUNCIL

The Pacific Northwest Conservation Council supports the Bureau of Land Management's proposed regulation changes to Section 15 of the Taylor Grazing Act as published in the Federal Register August 1, 1967.

Pacific Northwest Conservation Council, adopted in annual assembly, May 5, 1968, Missoula, Mont.

WALLOWA, OREG., February 25, 1969.

Hon. HENRY M. JACKSON,
Chairman, Senate Interior Committee,
Washington, D.C.

DEAR SENATOR JACKSON: As a *non-permittee*, I would like to register my opposition to the proposed fee hike to permittees on public lands. In figuring the true value of the grazing on these lands, many of the costs apparently haven't been considered and they should be. This comparison of the cost of raising a calf in Nebraska on private land as opposed to those using public lands is ridiculous as those of us directly involved in the business know.

The effect this proposed fee hike will have on thousand of Western cattlemen is difficult to comprehend and impossible to pinpoint. I know it won't be good, because at this stage, these people cannot stand that extra "straw" on their backs.

I feel sorry for many of my neighbors and friends who have for years built their whole operation around their permitted allotment on public land, not because they wanted to but because this had been their way of life. Their investment, much to their sorrow, has been in land that "fits in" rather than a self-sufficient operation. For many years our government has allowed them to be lulled into a false sense of security and now it is going to pull the rug from under them.

If these people are forced off public lands—and I personally feel this is the eventual move favored by many politicians and public officials who favor more and more "free" areas for recreation—I question how much we can afford.

I'm thankful my own operation is not dependent on the whims of the forest service, the secretaries of agriculture and interior, or any of their committees whose biased interpretation of reports would drive me off the range and out of business. Mostly these permittees would like to be out of this mess, but they

have no choice. For years, the value of their operations have been established around the public land allotment and now the forest service says it has no value. If it has no value, why the fee hike? It just doesn't make sense.

Thank you for your time.

Your sincerely,

M. C. Oveson.

GOODING CHAMBER OF COMMERCE,
Gooding, Idaho, February 19, 1969.

Senator FRANK CHURCH,
Chairman, Public Lands Committee, Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: The Gooding Chamber of Commerce would like to take this opportunity to express concern over the proposed increase in grazing fees for use of Bureau of Land Management and Forest Service Lands.

We, as a small farm community, depend largely on the farmer and rancher for community support and business expansion. We feel sure that you are aware of the impact that any increase in grazing fees will have on an already sagging farm and ranch income. Further, the proposed increase will greatly discourage future entries into agriculture, both on the operating level and on the Agri-Business level. It would appear that this action is in direct conflict with Government actions to encourage rural development.

If there is anything the Chamber can do in the way of supplying information that might be of value on any hearings concerning this matter, or any correspondence to other officials that would be of value, we will be only too pleased to help.

Yours very truly,

FLOYD BLAMIER, *President.*

RESOLUTION OF THE MONTROSE FARMERS LOCAL, MONTROSE, COLO.

We the members of the Farmers Union, local and county, of Montrose, Colorado, are opposed to the action taken by U.S. Secretary of Interior Mr. Stewart Udall for increasing the grazing fees on public land used for grazing purposes. We feel such action will be disastrous to the livestock producers, as well as the consumer of red meats.

Therefore be it resolved that:

The Montrose County and Local Farmers Union urge that this matter be reviewed by the proper committees of Congress and that recent studies by independent agencies and the Public Land Law Review Commission be used in the setting of grazing fees on public lands.

Be it further resolved that:

The Montrose County and Local Farmers Union recommend the use of these public lands for multiple use for the public and continued on a permanent basis.

BLACKSHEAR, GA., February 7, 1969.

Hon. FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: I have been informed that on February 27 and 28, 1969, you as Chairman of the Public Lands Subcommittee of the Committee on Interior and Insular Affairs are to hold hearings on the recently announced increases in grazing fees on western public lands.

It will be impossible for me to appear in person to testify. For that reason I ask that you please have the following statement inserted in the official transcript of the hearings:

My name is William Voigt, Jr., and I am a former western representative, later executive director, of the Izaak Walton League of America.

As western representative I spent some years in the public land states, traveling often out of my office in Denver to inspect public lands and to acquaint myself with their use and condition.

I became convinced then, and later in travels to all the other states except Alaska and Hawaii, that most ranchers who run their stock on federal lands

have been unduly privileged for far too long. A change such as proposed on the basis of the study made by the Economic Research Service at the behest of the Bureau of the Budget is overdue.

Let the westerners who use public lands pay for the forage their livestock eats at its fair market value. That is what their neighbors not fortunate enough to have grazing privileges must do if they rent privately owned pasturage. To do otherwise is to perpetuate wrongs instituted in an earlier era. It is my earnest hope that the public land administering agencies will be upheld in their effort to do this much toward correcting a long existing inequity.

Sincerely,

WILLIAM VOIGT, Jr.

TWIN FALLS, IDAHO, *February 19, 1969.*

SENATE PUBLIC LANDS SUBCOMMITTEE,
New Senate Office Building, Washington, D.C.

To Whom It May Concern: I feel the proposed grazing fee increase will work a hardship on the rancher. At the present time I have invested more than \$49.00 per A.U.M. to develop water, fence, seeding, and clearing of brush on federal land.

If the proposed increase is put into effect it will seriously hamper the rancher's profit. I feel that everyone has invested large sums of money for their grazing privileges.

Respectfully,

ORAN JONES.

HANSEN, IDAHO, *February 19, 1969.*

Hon. FRANK CHURCH,
Senate, Washington, D.C.

DEAR SENATOR CHURCH: As President of the Western Stockgrowers' Association (Cattle operators on the Sawtooth National Forest, Rock Creek Division) I wish to protest the increase in grazing fees on Federal Lands and National Forests for the following reasons.

The past formula was to help stabilize the livestock industry whereas this new increase will create an unending price war between private and federal land grazing fees.

The increase in fee will reduce the livestock producers' interest in participation in improvements on federal lands, as more will be expected in return for the increased fee.

The fee increase should be withheld until further and more complete studies can be made to determine the need and justification of an increase.

Livestock men are willing to pay a fair price for any feed we use but I feel that this increase was not a result of an extensive study but an unfair imposition on the livestock industry.

Very truly yours,

EDWIN D. (TED) CROCKETT,
President, Western Stockgrowers' Association.

BLOOMINGTON, IDAHO, *February 24, 1969.*

Senator LEN JORDAN,
*Senate Office Building,
Washington, D.C.*

DEAR SENATOR: I am very opposed to the proposed increase in forest grazing fees because with the amount we are presently paying plus what we have to pay the cattle association for riders, salting, etc., we very nearly equal what good pastures can be rented for. Plans in the near future will have the cattlemen paying all maintenance costs also I feel a raise in fee would be unjust and create a financial problem. I also have capital invested in this as we bought these grazing permits to begin with. I also feel that it is unjust to raise grazing fees & then cut our periods so tourists can have practically free use of our range using government built accommodations.

Please keep my opinion in mind as you consider this bill to increase the grazing fees.

Sincerely,

WILLIAM G. BEE,
President of Paris-Liberty Cattle Association.

HOMEDALE, IDAHO, February 21, 1969.

Senator CHURCH,
Washington, D.C.

DEAR SIR: I am writing you in regard to the hearings you are holding on the grazing fee increase that the Johnson administration is forcing upon us.

I am a past president of the Owyhee Cattleman's Association, served as a director for 12 years besides my turn as chairman of the board.

I think I can speak the thoughts of 60 or 70% of the users.

It is not the increase in fees that is so outrageous, it is that we do not get the value for our money.

Ever since the B.L.M. has been administering these lands the fees have gradually increased but the feed has not.

They have never to my knowledge made a range survey on a dry year, always on a wet year. Then it is set at from 3 to 5 or 6 acres per AUM which is short even on good years then a dry year hits and it isn't nearly enough acreage to carry the AUM's; therefore leading to a reduction in the time or numbers. Then they claim it is for conservation, which all the stockmen know is untrue.

They are only trying to justify their survey.

Any time that you try to graze a cow or horse or 3 sheep on less than 7 to 10 acres for a month you are going to run into trouble before many years, in this arid country where we have such a short supply of rain fall.

Last year was the worst year I have ever seen in this country. No moisture from Feb. till August.

The B.L.M. and Game Commissions had tours in August, the only places they would stop were on creeks or salt grounds where it is always shorter than back a $\frac{1}{4}$ or $\frac{1}{2}$ mile.

After the tour they closed 2 areas in this county, gave the users 15 days to gather the cattle off those 2 separate ranges.

It takes 2 to 4 weeks to ride either one when you have a little snow to track cattle by.

It was nearly an impossible task and cost those users several thousand dollars for extra feed when there was plenty feed for later use on the lower elevations of the range; where the cattle naturally pull down as soon as it begins getting cold up high.

They tell us that we have no rights to the range only privileges, granted as they see fit.

My father was on the board of directors when the B.L.M. was first set up. Known at that time as the "Taylor Act."

The man from Washington from the Dept. of Interior that was out here helping to set it up said those class 1 grazing rights were tied to the land the same as water rights.

Any ranches bought or sold in this country are valued by its grazing rights plus the acres of deeded land.

The grazing rights are given as collateral by the ranches to borrow money and are received as such by Banks or Loan Companies.

Grazing rights are sold outright and have to be transferred through the B.L.M. offices from one user to another.

They are sold from \$7.00 to \$25.00 per AVM. Depending on the range and the feed.

If this increase is forced through it should be returned to the units in which it is collected to be administered by our board of directors.

They are all stockmen and operate their own business and can get a lot more done for a dollar than any of the administrators of those offices.

Thanking you kindly, I remain.

Sincerely yours,

FRANK A. MAHER.

OAKLEY IDAHO, March 3, 1969.

Senator FRANK CHURCH,
Washington, D.C.

DEAR SENATOR: Am writing you regarding the raise in Grazing fees on the Forest and B.L.M. lands.

I feel that it is very unfair to compare the feed that grows on public lands to that of privately owned pastures. First, the stock which are placed out into these pastures, private ones that is, are usually handled on a guaranteed basis both for numbers and also for the gain they will make during the specified time they are there.

And on the public lands which are too rough for anything other than grazing purposes. You put them out at your own risk, with no guarantee as to loss, either in gain or number.

In my personal case I have a permit to graze 187 head on B.L.M. land during the month of May, June, July, August, September and to the middle of October.

At the time I gathered them back in, there were seventeen head (17) which were not accounted for.

In other words I paid on seventeen head of cattle which I never did get back. So that amounts to a double loss.

Probably there are different conditions, in different sections, of the grazing areas throughout the West. I can only speak for the ones which I am familiar with.

Hoping you will give this matter your most sincere consideration I am,

Respectfully yours,

HERSCHEL BEDKE.

IMNAHA, IDAHO, *February 21, 1969.*

DEAR SIR: I own and operate a ranch on the Imnaha River in northeastern Oregon. I have a grazing permit on National Forest land adjacent to my deeded ground and the successful operation of the ranch hinges on this permit. The last several years it has been a constant fight to keep this permit from being whittled, shortened, or reduced through every legal or illegal means our Forest Service officials can dream up, even though I can show definite proof of an improvement in the condition of an already excellent range. A lot of these improvements have come out of my own pocket, over and above what is called for in Forest Service regulations.

The proposed increase in grazing fees would be the straw that broke the camel's back if it is allowed to go through. It is very plainly stated that these grazing fees are to be set in relationship to the market value of cattle and if there has been any increase in cattle prices in the last 25 years we sure as hell never got any word of it out here.

I understood the purpose of the survey made some time ago was to determine whether any change was justified as compared to grazing on private land. Why the attempt to ram through the increase before the results of the survey can be publicized? I imagine a lot of the static is a result of pressure by uninformed recreationists and sportsmen. I can prove that there is not nearly as much competition as is supposed between game and cattle, at least in this area, the game have a natural tendency to work areas not accessible to cattle because of topography, and the game count shows a steady increase through the years, partly as a result of range improvements paid for in part by permittees.

I just can't see destroying a way of life for a lot of good people for no good reason. That is surely what will happen if the increase is put through. Several of my neighbors have stated they will just have to give up if it is allowed and I would have to include myself. I enjoy this way of life even if it is a damned poor way to make a living. One important aspect to us is that we feel it is a good place to bring up kids to be responsible citizens and we're mighty proud of the way ours have turned out, so far. Haven't got a 'hippie' in the bunch.

All we ask for is a fair shake. I guess we can consider ourselves a minority group and the popular thing nowadays is to turn cartwheels for the minority groups, I sure hope somebody turns at least one somersault for us.

Sincerely,

DAYTON J. ROWBURY.

DREWSEY, OREGON,
February 20, 1969.

SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Senate Office Building,
Washington, D.C.
(Attention Mr. Porter M. Ward).

DEAR MR. WARD: By order of the Master, Mr. Lloyd Jordan, and the Membership assembled, I wish to inform you that Drewsey Grange #738 in regular session this 19th day of February, 1969 goes on record as protesting the proposed raise in Livestock Grazing Fees on all Public Ranges.

Our Senators and Congressmen have been previously notified of this protest.

Yours truly,

WILMA DUNTEN,
Secretary, Drewsey Grange No. 738.

HARNEY COUNTY CHAMBER OF COMMERCE,
Burns, Oreg., February 19, 1969.

Senator HENRY M. JACKSON,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR JACKSON: I preface this letter with the comment that beef cattle raising is by far the No. 1 industry in Harney County, Oregon. Basis of all county economy is vested in this commodity.

The Harney County Chamber of Commerce is alarmed by the proposal to increase grazing fees on federal lands over a period of the next ten years.

If the proposed grazing fee on federal lands is applied, which in turn would raise fee cost to our livestock permittees, it would have a major effect on the economy of this entire region, which would be adverse and we feel possibly would be fatal to several of our businesses. Livestock permittees use these federal lands five to seven months annually and as your committee is well aware the margin of profit between cost of cattle raising and market return is becoming more meager every year. There are some Harney County permittees now utilizing the federal livestock grasslands on a 12 month basis.

An example of how it would effect one owner is that of George McGee, a relatively small grower of beef cattle, but still a very interical part of our livestock industry.

Mr. McGee uses BLM lands and has permit for 1700 AUM. At the present time, fee cost to him is about \$895 annually. If the proposed increased fees are adopted, he will be paying over \$2,912 for this same privilege.

The Harney County Chamber of Commerce is very worried and has spent considerable time on many occasions discussing the possible future results of the proposed legislation. The general membership of the Chamber has gone on record unanimously opposing the increased grazing fees.

If the increased fee is put into operation, we can see a hard, direct unfavorable effect forthcoming to the economy of Burns, Hines, and all other sectors of our county.

We ask that you and your committee give our thoughts and feelings your sincere attention and consideration.

Sincerely,

MERV JENKINS,
Chamber Manager.

PENDLETON, OREG., February 22, 1969.

MEMBERS OF SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Senate Office Building, Washington, D.C.

DEAR SIRs: I would like to have you submit the enclosed letter at the hearing on grazing fees February 27 and 28 in room 3110 New Senate Office Building.

The letter was written December 26th 1968 to our local Forest Supervisor in response to the announcement of increased grazing fees.

The reference about the administration is made about the Johnson administration.

Very truly yours,

R. S. THOMPSON.

PENDLETON, OREG., December 26, 1968.

Mr. WRIGHT T. MALLERY,
Forest Supervisor, Umatilla National Forest,
Pendleton, Oreg.

DEAR MR. MALLERY: I am accepting your invitation to submit my comments regarding the proposed increase in the grazing rates on forest ranges for the next ten years.

It appears to me that Secretary of Agriculture, Freeman, is junking the \$900,000 study made by the U.S.D.A. Statistical Reporting Service, or at least, using only the portions of it that work favorable in his program.

I have thought the method of calculating the grazing fees, based on prices received the previous year for the product produced on the ranges, has been fair and equitable. The base rate, during the past 35 years (1931-1966), has increased on the average approximately three cents a cow month per year. The proposed increase of 6¢ is a 100% increase and will not be in proportion to the increase in the prices that will be paid for sheep and cattle.

I do not see how Secretary of Agriculture, Freeman, whose decisions directly affect the plight of the ranchers, can justify an increase in grazing fees when the prices of beef and lambs are 75 to 80% of parity.

The National Livestock and Meat board recently published figures that show the average family in the United States spends less than 18% of their daily living expenses for food. This is the lowest of any country in the world. This is happening today when the operating costs to ranchers are the highest in the history of the United States. Only the more efficient ones are surviving and they will not exist long if costs continue to increase.

You are undoubtedly aware that more livestock ranches are listed for sale today than at any other time in the past ten years, and perhaps longer. The reason for these listings is that the majority of ranchers are operating at a loss or barely breaking even. Any financial institution engaged in financing ranchers will substantiate these facts. Why should grazing fees be increased when such conditions exist?

This administration has the distinction of being in power during the farmers and ranchers worst seven years (1961 through 1967), and I imagine when all the facts are published 1968 can be included. How can any Secretary of Agriculture justify an increase in grazing fees on people who he is supposed to represent when such conditions prevail?

The customary rate in this area for grazing cattle on private range where the lessor takes care of the cattle is \$4.50 to \$5.00 per A.U.M. (a cow and calf). It is \$3.00 to \$3.50 per month for yearlings (between the ages of 1 and 2 years). The Forest Service in this area makes no distinction in rates on cattle over 12 months of age.

The Forest Service requires me to let them administer the grazing on my deeded land and the deeded land I rent within the boundary of the National Forest. The rates I pay for this land and the number of cattle the Forest Service allows me to pasture make it very high per A.U.M. This cost along with the other 15 non-fee expenses calculated by the Statistical Reporting Service makes my cost per A.U.M. equal to or perhaps in excess of the rate paid for grazing private land. I have not used any figures to capitalize a cost for the allotment.

I would like to call your attention to an article in the November issue of the Farm Journal which tells about a Utah rancher who found that he could make more money by operating on irrigated deeded land than he could by using his Forest Permit.

It was the understanding of stockmen who met with forest and B.L.M. officials, when Statistical Reporting Service was making their study of permit cost, that both Forest Service and B.L.M. service agreed to include capital costs of permits. Both agencies say they know nothing of this.

Congress established the Public Land Law Review Commission to study and make accurate reports on all the facts pertaining to the use of public lands. I think both Secretary Freeman and Secretary Udall are acting prematurely if the decision to increase grazing rates is made before the study by the Public Land Law Review Commission is completed.

Based on these facts I recommend that your department do what they can to prevent an increase in the grazing rates until a time when a price increase in livestock will warrant such an increase.

Very truly yours,

R. S. THOMPSON.

OVID, IDAHO, February 26, 1969.

Senator FRANK CHURCH,
U.S. Senate, Washington, D.C.

DEAR SIR: I am very much against raising the grazing fees on public lands. This is an extra burden on the cattleman, who is having a struggle to make ends meet.

Sincerely,

ADRIAN P. NIELSON.

BOZEMAN, MONT., February 25, 1969.

Senator FRANK CHURCH,
Chairman, Public Lands Subcommittee, Senate Committee on Interior and Insular Affairs

DEAR SENATOR CHURCH: As a tax paying citizen of Montana I am vitally interested in seeing the public getting fair market value for forage being grazed

on our land. When a few large grazing interests are paying so little for what 80 percent of the livestock growers must do without and yet they can still show a profit why shouldn't the pitifully, and ridiculously low fees not be raised. With private forage being sold for 3.00 to 5.00 per AUM and others leasing public land to sell it again to others for a 3.00 or 4.00 profit why can't grazing be put up for competitive bids or at least sold for market value. Grazing is a privilege not a right and should never be anything else. Grazing is worth more than 1.23 today not ten years from now.

Sincerely Yours,

RICHARD R. MILLEDGE.

BEAR LAKE COUNTY, IDAHO,
February 24, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington D.C.

DEAR SENATOR CHURCH: The Paris-Liberty Cattle Association would like to protest the proposed raise in grazing fees on the Cache National Forest.

1. We feel that present rates are too high for the length of time cattle are permitted to graze.

2. Each permittee has, during the past few years been reduced in number until he doesn't know how to plan his herd.

3. Proposed grazing fees put this permit on a par with private pasture in cost and the value is just not comparable.

Our association will greatly appreciate anything you may be able to do at the hearing for the stockmen of this area. Summer pasture is a scarcity in Bear Lake County.

Very Respectfully Yours,

WILLIAM BEE,
President.
VERDEN THORNOCK,
Member.

In connection to this letter brother Hulme wrote for us. We are facing a reduction of livestock on public lands which we feel is unreasonable—a 65% cut. Therefore if the range is in that poor of condition we feel the present grazing fees are plenty high without an increase. We also feel such fees will put several small cattle producers out of business. We also feel that the consuming public will have to pay more for meat that they consume, which will raise the cost of living.

Yours truly,

PARIS-LIBERTY CATTLE ASSOCIATION,
VERDEN THORNOCK,
Bloomington, Idaho.

MACON FLAT CATTLE ASSOCIATION,
Burley, Idaho, February 20, 1969.

Senator FRANK CHURCH,
Chairman, Public Lands Subcommittee.

DEAR SENATOR: As cattle producers we are organized as the Macon Flat Cattle Association and have permits for 5014 animal unit months on the Macon Flat Allotment, Idaho District 5, of the Bureau of Land Management. As an association, recognized by the BLM, we vigorously protest the announced increase in grazing fees on the public lands.

While we expect to pay a reasonable fee for the grazing privilege, we believe we are entitled to a fair return on our investment in grazing permits as well as our investment in such permanent range improvements as water development, sagebrush spraying, fencing and corrals. While our operation cost has risen, the return on our product has decreased or at best remained static. The rise in grazing fees would add materially to this cost-price squeeze, will decrease the value of our permits and commensurate lands, and force some of us out of business.

In comparing public grazing with renting of private pastures, there are many costs borne by the user of public lands which ordinarily do not apply to the

renter of private pastures. We have no vested right in the permanent improvements we make. We maintain our own fences and watering places. We do not get comparable gains. We must include an annual loss in excess of the private pasture user due to the geography and usual inaccessibility of public lands.

We believe that grazing of livestock is beneficial to the management of big game on public lands and inhibits costly, wasteful range fires. We also believe that we are steadily improving the public ranges by our own labor and investment in improvements.

We urge you to postpone putting into effect the proposed fee increase without further study.

Yours very truly,

ERMA LEWIS CUEVA,
Secretary.

PAYETTE NATIONAL FOREST CATTLEMEN,
Cambridge, Idaho, February 25, 1969.

SENATE PUBLIC LANDS SUBCOMMITTEE,
Washington, D.C.

GENTLEMEN: In regard to proposed changes in grazing fees, representatives of the Payette National Forest Cattle and Sheep permittees, in a joint meeting held January 4 in Cambridge, Idaho, submit the following: That the fee charged be based on all the costs recognized in the fee study, including the market value of a valid grazing permit; and further, that no grazing fee increase be enacted prior to completion of the Public Land Law Review Commission's report.

As users of public lands we recognize the responsibility to pay equitable fees; however, we feel the proposed increase to be unjustifiable.

Sincerely yours,

MILTON W. BRANCH,
Chairman, Advisory Board.

BERGER RCA ASSOCIATION,
Kimberly, Idaho, February 25, 1969.

Senator FRANK CHURCH,
Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

HON. GENTLEMEN: The Berger Resource Conservation Area Grazing Association would like to have the enclosed protest placed in the official records of your current hearing on grazing fee increases.

The members of our Association in cooperation with the Federal Government have, over the past eight years, invested sizable sums of money, time, and labor in reclaiming sagebrush lands, fencing, and water development. Our project has recently been establishing rest rotation, intensive management grazing systems, Because of our sizable investments and because of the establishment of these significant, new, range management systems, we are extremely alarmed about the grazing fee increases.

It is our hope that the members of your committee will give every consideration to the precarious financial situation of many ranchers and the jeopardy which the grazing fee increase places upon sound management of grazing resources.

Very truly yours,

LAIRD NOH,
Secretary-Treasurer.

The Berger Resource Conservation Area Grazing Association strongly protests the increases in BLM grazing fees for the following reasons:

1. The increase will jeopardize sound range management and conservation of grazing land by destroying the essential spirit of cooperation so successfully but painfully established over the past decade between permittees and Bureau administrators.

2. The huge investment of both public and private funds in the Berger Conservation Area project will be destroyed; for the proposed fee increases will price grazing on the project entirely out of the market.

(Signed by 15 members.)

LIVINGSTON, MONT.,
February 15, 1969.

Senator FRANK CHURCH,
Chairman, Subcommittee on Public Lands,
Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: Without going into further detail why the grazing fees on public lands should be increased, the proposed increase is long over due. I urge you to support this proposed increase on our public lands as suggested by the Department of Interior and Department of Agriculture.

Sincerely,

G. F. REDISKE

SAN BERNARDINO, CALIF., January 31, 1969.

HON. FRANK CHURCH,
Chairman, Senate Committee on Interior and Insular Affairs, Washington, D.C.

DEAR SENATOR: Please accept the enclosed copy of my letter to Sec'y Udall as part of the hearings on *grazing fees* that are scheduled to begin shortly.

There have been thousands of interviews with cattlemen, sheepmen and farmers on this issue but in contrast very little solicitation of opinions from the real owners of these lands: the general public that has virtually been subsidizing the lessees for all these years. For that reason *I am taking the side of the public*, including the over a million members of conservation societies that are much concerned about the loss of wilderness, forests and wetlands in our USA.

Sincerely,

ERIC LINDROTH.

[Enclosure]

SAN BERNARDINO, CALIF., February 4, 1969.

HON. STEWART L. UDALL,
Secretary of the Interior,
Office of the Secretary,
Washington, D.C.

DEAR MR. UDALL: I was very happy to learn that you and Secretary Freeman have agreed to *raise the grazing fees on public lands* at last to something more like the actual market values.

These lands belong to all of us, not just to the spoilers who for generations have been guilty of mismanagement, causing deforestation, loss of topsoil, erosion, loss of watershed and water, loss of wildlife, recreational and wilderness values, yet much of the time enjoying de facto subsidies due to ridiculously low grazing fees.

Thank you Mr. Secretary for your constructive move. *Please keep our public lands really public for the owners: the general public.*

Sincerely,

ERIC LINDROTH.

OVID, IDAHO, February 23, 1969.

Senator LEN JORDAN,
Senate Office Building,
Washington, D.C.

DEAR SIR: I am protesting the increase in grazing fees that has been proposed. This increase will not only make a big operating cost even bigger but will put a lot of people out of business. I'm a member of a cattle association that is affected.

Sincerely,

DALE AUSTIN.

IMNAHA, OREG., February 19, 1969.

INTERIOR AND INSULAR AFFAIRS COMMITTEE,
U.S. Senate, Washington, D.C.

DEAR SIR: I was advised by Senator Mark Hatfield to submit testimony to you on my opposition to the proposed grazing fee increase.

I am the president of a small group of eight small ranchers who operate on Forest Service grazing permits under the Marrflat Cattle & Horse Grazing Association.

These ranchers run from 303 head, the largest; to 75 head, the smallest; if this grazing fee increase is allowed it will put part of these people out of business.

With an already depressed cattle price, rising taxes, rising cost of all kinds, as extra expenses already taxed on us by the local forest service district, as extra fences, extra maintenance of all types, that was the Forest Services' obligation a few years ago, plus in this area an added game problem, which is wintered mostly on private land.

Please voice our opposition to this increase in grazing fees: Which this year I am told in our area will be 66c A.U.M.

Thank you,

MARFLAT CATTLE ASSOCIATION,
DUANE SANDLIN.

MONTPELIER, IDAHO, *February 24, 1969.*

Senator LEN JORDAN,
*Senate Office Building,
Washington, D.C.*

I am writing about the revision of grazing fees on public land by the department of Agriculture and Interior. I oppose the increase for the following reasons.

1. It is premature, pending the report of the Public Land Law Review Commission.

2. The figures on which the increase is based do not include the capitalized value of the permits, which is a real cost of doing business in this area for a cattleman. These values are figured in the prices of ranches sold. Why pretend they don't exist?

3. The increases will seriously affect the economy of the western states. As you must be aware, the cattle producer has been absorbing cost increases every year while selling at or below prices of twenty years ago. Even the most efficient operators are in trouble financially. In view of the amount spent on controls and supports for wheat, cotton, etc.; it seems the beef industry should be commended rather than penalized for taking care of its own problem.

4. The increase would be detrimental to the conservation of our ranges and watersheds. As you probably are aware, Dr. Gus Hormay of the B.L.M. has demonstrated all over the west that vegetative cover can be improved by grazing livestock under a rest rotation management, compared to range that is un-grazed. This system requires an initial investment in fencing. Ranchers in this area are ready to put money into this plan to protect and improve the ranges, if they have an assurance of being able to reap the benefits. The fee increase will diminish their ability and willingness to so invest.

Thank you,

DAVID H. JENSEN.

[From the Missoulian, Missoula, Mont., Dec. 24, 1968]

THE OUTDOOR PICTURE

(By Dale A. Burke)

THE GRAZING FEE INCREASE

How'd you like to buy something today at the same market value it held in the early 1900's. And how'd you like it in particular if right across the fence from where you bought this product you, or another fellow, had to pay up to five times as much for the same thing. Very likely, you'd think you had a real bargain. And, you'd most likely put up quite a scrap if somebody wanted to change your game and force you to pay the standard and fair market value for what you bought. This is, in essence, what the current argument over the proposed grazing fee hike on public lands—Forest Service and Bureau of Land Management administered lands—is all about. The secretaries of the departments of Interior and Agriculture, Stewart Udall and Orville Freeman, have proposed the fee hike to bring the public full market value receipts for the use of their land.

THERE'S ROOM FOR IMPROVEMENT

The mere fact that persons holding permits for grazing rights on federal lands are paying four to five times less per unit than the going commercial rates

is reason enough to justify a rate increase. But above and beyond this is the fact that many persons holding permits for grazing are subleasing forage at great profit. So it seems that certain portions of the opposition to the grazing fee hike are pulling in some pretty fancy profits—they sublease it for the full market value—that the public should be getting. There should be a standard rate charged by the government for grazing permits, and the government should lease the usage of the land directly to the person using it.

A GRADUAL INCREASE RECOMMENDED

It now costs 33 cents for one month to graze one full-grown cow or five sheep on public lands administered by the BLM and 55 cents for permit holders on national forest lands. A two-year study by the departments of Interior and Agriculture showed that the fees paid for comparable forage on private lands brought three to 10 times that paid for public lands. And to soften the impact of the grazing fee hike, the proposal is to implement the increase over a 10-year period. The cost to the user would not skyrocket immediately. Rather, a reasonable amount of time is given him to bring his operation to the new base fee of \$1.23 per cow month, with consideration given annually to the average price of private forage. The proposed hike and its implementation came only after an exhaustive and costly two-year study.

AN IMPORTANT CONSIDERATION

An important consideration is that the public should get its full market value from the land. In fact, among many organizations supporting the grazing fee increase, the Montana Wildlife Federation has made a firm stand on the issue. They state, "That the return from the sale of public land resources, whether they be coal, oil and gas, timber, minerals, or forage, should be based upon the concept of fair market value." To arrive at this fair market value, they state that tying the grazing fee formula for public lands to the average price of forage on private lands in the 11 western states is a sound and valid approach to achieving fair market value.

WHAT YOU CAN DO ABOUT IT

Not all stockmen have opposed the fee increase. In fact, some prominent stockmen have suggested that the industry should help establish reasonable fees. For the most part, however, massive opposition to the grazing fee hike has been mobilized by the special interest cattle and sheep growers' associations. Fortunately, the public and interested conservation and sportsman's organizations also can make their voices heard. You can write either Secretary Udall or Secretary Freeman, your congressman, or to Senator Henry M. Jackson, Chairman of the Senate Interior and Insular Affairs Committee, Washington, D.C., and to Congressman Wayne N. Aspinall, chairman of the House Interior and Insular Affairs Committee, Washington, D.C. It's recommended that you write them this week. They need your letters by Jan. 1, 1969.

VANCOUVER, WASH., *February 24, 1969.*

Gentlemen: We, the undersigned, wish to express our opposition and deep concern relative to the increase in grazing fees specifically as it effects the Eastern Oregon cattle rancher.

We find it mystifying that the primary producer of cattle is being paid the same price today as he was in 1946. During this same period his fixed costs have increased tremendously. His survival has been due to mechanization and either the partial or, in many instances, the complete elimination of ranch hands.

Although the declining population of Eastern Oregon Counties is not solely a result of the economic problem of cattle ranching, it, nevertheless, is the primary factor. The scores of vacant range land homes that once housed hired hands and their families will graphically testify to that. Today the rancher and his wife perform the work of three or four people, not because of greed but to hold on—to retain the status quo. Their days start before daylight and end long after dark. There are no weekends, every day is the same—work and more work in the stifling summer heat or the grim harshness of the winter cold and snow.

It is pathetic when we consider that a number of branches of the Federal Government are at this writing seeking ways to keep people out of the cities and other branches are enacting policies that will have the opposite affect.

The day is fast approaching when many cattlemen are going to be forced to divert their lands to other uses unless a prompt and compassionate understanding of their problem is recognized. It would seem that the food requirements of this country, and, in fact, the world, should command that we maintain as much range land in cattle production as is humanly possible.

We, who are signatory hereto, are all residents of Metropolitan Portland, Oregon. None of us have any financial interests in Eastern Oregon ranches, but all of us have an earnest desire to retain the heritage of the American West. Furthermore, we are of the opinion that the American Cattleman has occupied the bottom rung of the economic ladder too long, that he needs and deserves special consideration and that above all the first step should be the rescinding of the grazing fee increase by the Forest Service and the Bureau of Land Management.

Respectfully submitted.

Don Malarkey, 2006 Main Street, Vancouver, Wash.; Barney Gian-sante, 1201 SW. 12th Avenue, Portland, Ore.; Benedict Malarkey, 4039 SW. Council Crest Drive, Portland, Ore.; Thomas H. Burgess 1701 SW. Brodway, Vancouver, Wash.; George Malarkey, 1708 SW. Hawthorne Terrace, Portland, Ore.; Hugh V. Lacey, 2844 SW. Periander, Portland, Ore.

RENO, NEV., March 6, 1969.

Senator FRANK CHURCH,
Chairman, Senate Public Lands Subcommittee,
Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: Please include this letter in the official hearing Record of the February 27-28 hearing on the new grazing fees.

I urge you to support the Interior and Agriculture Departments' increase in grazing fees. This action will help prevent over-grazing and other misuse of our public lands by ranchers. While at the same time not financially damaging them because the grazing fees would be increased gradually over a period of ten years. I feel that it is important that the ranchers pay the same fee for public lands that they pay for private lands.

Sincerely yours,

REED SECORD.

BETHESDA, MD., March 11, 1969.

Hon. HENRY M. JACKSON,
Chairman, Public Lands Subcommittee,
Senate Interior Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In the absence of Maryland representation on the Public Lands Subcommittee I am writing to you concerning the proposed revision of grazing fees on the federal lands under the management of the Forest Service and Bureau of Land Management.

I am a forester by profession, retired seven years ago after thirty-six years in the Forest Service. I feel, therefore, that I have somewhat more than a superficial knowledge and interest in the matter of grazing fees on our federal range lands.

The traditional grazing fee structure on these lands is now anachronistic. It was developed back in times when small outfits needed assistance in developing the West, and in fighting their ways up out of the great depression. In this context fees definitely below market value were justified and served their purposes admirably. The fantastic prices reportedly paid for ranches having grazing permits carrying these low fees is proof enough, it seems to me, that the permits were, and are, inordinately profitable.

Purchasers who paid handsome prices for grazing permits did so with full knowledge that they were buying a privilege and in no sense a right to the forage on public lands. In doing so they took a calculated risk that they had paid too much. It is unthinkable that such miscalculation should now be advanced as a reason for maintaining fees at less than the market value of the forage consumed. It seems doubly significant to me that the inflated prices paid for permits were paid, not to the government, but to individuals. Originally the permit cost the permittee nothing when it was issued by the government.

Low grazing fees have doubtless contributed to the severe overgrazing that has plagued our federal lands in the past and which has been so difficult to correct. It is to be hoped that continued improvement in range condition will follow the proposed adjustment in fees.

The ten year adjustment period proposed to bring the grazing fees into line seems reasonable. It certainly is not precipitous nor should it be calamitous except for marginal operators too dependent on the subsidy represented by low fees.

Finally, we who are far enough from these federal grazing lands to see them in perspective, look with favor on any moves that promise to make their administration self-supporting. Our taxes help to pay the costs of protection and management of the National Forests and the Bureau of Land Management ranges and if fair fees will help reduce taxes, even though infinitesimally, we're in favor of them.

With these thoughts in mind we respectfully urge that the proposed adjustments in grazing fees for federal lands be allowed to proceed as scheduled and on the formula set up.

Sincerely yours,

IVAN H. SIMS.

CHEVY CHASE, MD., March 1, 1969.

Senator FRANK CHURCH,
Chairman, Subcommittee on Public Lands, Senate Committee on Interior and Insular Affairs, Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: It is my understanding that your Committee has recently been holding hearings on the increased fees for grazing on the public domain which the Interior Department has promulgated.

Since these new fees represent a fair charge for the use of land belonging to all the people, I urge that they be supported by your Committee.

Respectfully yours,

ELTING ARNOLD.

BENTLEYVILLE, PA., February 27, 1969.

Senator FRANK CHURCH,
Subcommittee on Public Lands, Senate Committee on Interior and Insular Affairs, Senate Office Building, Washington, D.C.

DEAR SIR: This letter is in regard to the grazing fees charged stockmen for the use of public lands. For several reasons it is necessary that these fees must be somewhere near the fair market value for use of the land in question.

First, the public lands belong to all of the citizens, and grazing should be permitted only to the extent that a wholesome and natural ecological system is maintained. Extensive grazing, and overgrazing to the detriment of the forests, wildlife, and land itself must not be permitted. And the fee charged these stockmen must be somewhere near the fair market rental for this land so as not to give them a competitive edge over other stockmen not fortunate enough to have public lands accessible to them.

As I understand it, a study was made by Western Universities and the Economic Research Service of the Dept. of Agriculture regarding the fair market value for use of these grazing lands. Please consider their recommendations and act in such a way as to protect the land which belongs to all the people.

Sincerely yours,

CLYDE A. AND JANET R. WEBER.

WEST COVINA, CALIF., February 27, 1969.

Hon. FRANK CHURCH,
Public Lands Subcommittee, Senate Committee on Interior and Insular Affairs, Senate Office Building, Washington, D.C.

DEAR SIR: Please include the following comments in the hearing record in reference to grazing fees on public lands.

Whereas here we discuss only the fee consideration it must surely be understood that the welfare of the public lands is a land management problem and in the overall management the establishment of the use fee is only one very important consideration. The requirement is I think that the public lands be managed to protect the national long run best interest.

Based on this consideration of national long run best interest any grazing permit must inherently provide that the grazing density on any land be subject to periodic (at least annual) adjustment by the cognizant management agency.

The fee must further be established so as to make all appropriate grazing lands equally suitable and not to establish the federal public lands as most favorable for grazing use. Grazing is only one possible use.

I do therefore support that in legislative proposals such as S. 716 by Senator McGee the amending language read similar to the following—In setting and determining the fees to be charged the grazing lessees or permittees of public lands, the Secretary of The Interior shall establish fees that make Federal Lands suitable for grazing equally attractive with private lands and State public lands that are suitable for grazing subject to the provision that in no instance shall the density of grazing animals exceed the carrying capacity of the land and if at any time the carrying capacity is exceeded in the judgment of the management agency the lessee or permittee shall within 7 days after receipt of notice adjust the number of grazing animals as directed.

The grazing fee shall be established as a cash amount per animal unit month payable annually to the cognizant management agency.

I thank you for this opportunity to present my views.

When available I would appreciate a copy of the hearing record.

Very Truly Yours,

LYLE A. TAYLOR.

PELHAM, N.Y., February 27, 1969.

Senator FRANK CHURCH,
Public Lands Subcommittee,
Senate Office Building,
Washington, D.C.

DEAR MR. CHURCH: Disturbed to learn that grazing fee increases are being postponed. It is hard to see how sale of a government owned commodity to private individuals at less than market value can be justified.

Ten year adjustment period seems more than generous.

Trust you will stand firm on the fee increase.

Sincerely,

RICHARD H. POUGH.

EMMETT, IDAHO, February 28, 1969.

DEAR SENATOR FRANK CHURCH: I am writing in regards to the proposed increase in the grazing fees.

We live up in the hills above Emmett, in fact I talked a minute with you at the BC sawmill picnic. Anyway we have some of the BLM land up there and we graze about 50 head of cows on it every year.

We are *FOR* the increase in grazing fees and we hope you will support the increase. We would like to see the BLM become somewhat self-supporting and if the increase in fees will help toward this end, we are all for it.

I guess we are in the minority, but we think the increase is a reasonable request.

Respectfully yours,

MR. AND MRS. JAMES A. MITCHELL, JR.
MR. AND MRS. JAMES R. MITCHELL.

APPALACHIAN MOUNTAIN CLUB,
Boston, Mass., March 5, 1969.

HON. FRANK CHURCH,
Chairman, Senate Public Lands Subcommittee, Senate Committee on Interior and Insular Affairs, U.S. Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: On behalf of the 12,000 members of the Appalachian Mountain Club, an outdoor public service organization, I submit the following resolution of the Officers of the Appalachian Mountain Club unanimously adopted at their meeting in Boston, Massachusetts on Tuesday, March 4, 1969:

"RESOLVED: That the Appalachian Mountain Club supports the new grazing fees effective January 1, 1969 on Federal lands administered by the Departments of Agriculture and Interior."

Sincerely yours,

GARDNER W. MOULTON,
President.

FORT WORTH, TEX., March 9, 1969.

HON. FRANK CHURCH, Senator
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: Your subcommittee on Public Lands is now considering grazing fees on public lands. I urge your subcommittee to support the fair-market-value charge for grazing on the people's land. I support the Interior Department's plan for grazing fees.

Sincerely,

JAMES A. NEE.

"RESOLUTION OF THE FOURTH DISTRICT ASSOCIATED SPORTSMEN'S CLUB

"Whereas: the public lands of the United States belong to all of the people of this country and by the joint use of this land by all interests does not thereby make second class citizens of any of the users,

"Whereas: under the multiple use act, the highest and best use of the public lands is in the public interest and

"Whereas: in 1953 the comptroller general stated that all products and services provided to special groups not available to the general public be provided at fair market value and

"Whereas: in 1959 the bureau of the budget concurred in this statement and

"Whereas: in 1966 the statistical reporting service of the Department of Agriculture began a two year study covering the cost to livestock users of the public lands participated in by these users and

"Whereas: this study is accepted as the most comprehensive information available and

"Whereas: the main point of contention in this study is the omission of the price paid by individual operators for their permits acquired from other operators and

"Whereas: this cost is specifically prohibited in the Taylor Grazing Act and to recognize this cost would recognize a vested interest in the public lands and these permits were issued at no charge by the Federal Government but represent a speculative value created by the bidding among the users themselves and

"Whereas: the price of these permits continue to be bid up by operators there must be some value above the price of the AUMs involved and

"Whereas: if this cost of permits is included in costs of complete livestock operation by bidding them up the individual operators could graze at no cost by selling them high enough, now therefore be it resolved that the recently imposed fees are the fairest to everyone based upon the best available information and the Fourth District, Idaho Wildlife Federation support the continued implementation of the present and proposed future increases in grazing fees on the public lands."

DEAR SIR: The above resolution was presented to and approved by the Federation and I as secretary was instructed to see that you received a copy. We hope you will give it very thoughtful consideration.

Respectfully,

FRED H. WEBER, *Secretary.*

INTERNATIONAL ASSOCIATION OF GAME, FISH, AND
CONSERVATION COMMISSIONERS,

Albany, N.Y., March 7, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR CHURCH: The Executive Committee of the International Association of Game, Fish, and Conservation Commissioners at a meeting on March 4, 1969 adopted a motion supporting the grazing fee schedule recently imposed on Forest Service and Bureau of Land Management lands and directing that this action be brought to the attention of your Subcommittee.

Sincerely,

W. MASON LAWRENCE,
President.

ALEXANDRIA, VA., February 25, 1969.

Senator FRANK CHURCH,
*Chairman, Subcommittee on Public Lands, Senate Committee on Interior and
 Insular Affairs, Senate Office Building, Washington, D.C.*

DEAR SENATOR CHURCH: I am writing in regard to regulations concerning grazing fees charged livestock growers who use public lands. I understand there will be a hearing on this matter beginning February 27th.

The livestock owners who use this land claim a rise in rental charges will raise the cost of meat. This seems like an invalid argument since their herds comprise only about 1% of the cattle sold in this country. Also, with such low rental fees they are in unfair competition with those farmers and cattlemen who must purchase the land and feed that is given to their livestock. Since these are public lands and we are all taxpayers, there is no reason these men should be given extra advantage over their competitors.

I urge that you not be influenced by the strong lobby these men have but rather by the study made in 1960 by the Western universities and the Economic Research Service of the Department of Agriculture.

I am interested in knowing how you regard this issue and would like to be informed as to how you vote upon it. Also, I would like to have my letter be made a part of the Record of the Hearing.

Respectfully,

DAVID ALEXANDER.

CINCINNATI, OHIO, March 2, 1969.

Senator FRANK CHURCH,
*Chairman, Subcommittee on Public Lands, Senate Committee on Interior and
 Insular Affairs, Senate Office Building, Washington, D.C.*

DEAR SENATOR CHURCH: Since I own one share of stock (as does every American), in our public lands, I feel very strongly about the fees charged for grazing on these lands.

Considering the damage done to the range and to the water-shed in light of the cost to reestablish the land damaged, a much larger fee should be charged the stockmen for the privilege they are afforded for use of our public lands.

I urge your committee to increase the grazing fees as established by the Western Universities and Agriculture's Economic Research Service which has made a very careful study of the situation.

I would like my letter to be made a part of the Record on the Hearings.
 Thank you.

Sincerely,

RUTH N. McCAMMON.

EAST RANDOLPH, N.Y., March 1, 1969.

Senator FRANK CHURCH,
*Chairman, Subcommittee on Public Land, Senate Committee on Interior and
 Insular Affairs, Senate Office Building, Washington, D.C.*

DEAR SIR: The purpose of this letter is to express our concern about the announced intention of the Western Industry Organization lobby to roll back grazing fees on public lands to the rates established in 1955.

We believe that (1) the grazing fees established by the Western universities and Agriculture's economic Research Service are more valid than those suggested by the stockmen's lobby, and that (2) the public lands belong to all the people and can only be protected by those whose interest is in the land rather than those seeking a maximum profit from use of the land.

Will you please make this letter a part of the Record of the hearing?

Yours truly,

FRANK A. ALEXANDER.
 VIRGINIA M. ALEXANDER.

KNOXVILLE, TENN., March 8, 1969.

Hon. FRANK CHURCH,
*Chairman, Senate Subcommittee on Public Lands, Senate Office Building, Wash-
 ington, D.C.*

DEAR SENATOR CHURCH: Your courtesy in making this letter a part of the official record of the public hearing on GRAZING FEES scheduled for February 27 and held by your Committee will be very much appreciated.

As is well known, the level of grazing fees on public lands has long been a controversial subject. Obviously those who would use the public lands for grazing purposes are interested in using them at the least cost to themselves. On the other hand, the grazing lands are public lands, the property of all Americans, and is it right and proper that the special users who seek to gain an economic benefit for themselves should pay for such use a price in line with the cost of comparable grazing rights on private land.

There is no good reason why the relatively few stockmen who graze their animals on the public lands should be subsidized by the federal taxpayers. Neither should they be given an unearned advantage over the majority of stockmen who are not in a position to graze their animals on the public lands.

The schedule of grazing fees as developed by the group of western universities in cooperation with the Economic Research Service of the Department of Agriculture was determined after taking full account of the variety of factors economically pertinent to the problem. I urge the Committee to accept this careful, impartial study as providing a fair and just base for setting grazing fees on the public lands.

Very truly yours,

ERNEST M. DICKERMAN.

IDAHO FALLS, IDAHO, *February 24, 1969.*

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: It is my understanding that you are planning hearings on the recent grazing fee increase. I commend your efforts to bring out all the facts concerning the use of public grazing. There is far more to the picture than the USDA and the USDI would have the public believe.

For many years, people outside agriculture have been led to believe that stockmen grazing on public lands are getting a "free ride". This is simply not true. We have been saying so for a long time and a recent study by the Forest Service and the BLM gives us facts to back up our argument.

This study was assembled by the Bureau of Research and Statistics, put through a USDA computer and analyzed by an independent contractor, Dr. Darwin Nielsen. While it is not within the scope of my letter to include all the facts and figures given by Dr. Nielsen, there are certain pertinent conclusions to be reached from a reading of his report.

1. The average cost of 51¢ for Forest Service A.U.M.'s and 33¢ for BLM A.U.M.'s is only one of many costs of harvesting forage on the public range. Other costs include animal losses, moving livestock to and from allotments, herding costs, water hauling, travel to and from allotment, in some case, fence building and maintenance, and the cost of the permit.

2. The government's failure to include permit cost in the calculation of grazing cost presents an unrealistic picture.

3. The proposed fee increase would drain a great amount of wealth from local economies and drive some stockmen out of business.

4. The most important product of the study is the factual data that public land grazers are paying full value and are not receiving subsidized use of the public range.

I firmly believe the fee increase is unfair, arbitrary, and unwarranted by the facts. I respectfully urge you to oppose it at every possible level and request that my remarks be included in any hearing that may be held concerning fees.

Sincerely,

GERALD H. SCHEID.

OWYHEE COUNTY COMMISSIONERS,
Homedale, Idaho, February 24, 1969.

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: Since you are chairing the hearing on the proposed grazing fee increase I wish to take this opportunity to air some of the conclusions I have made concerning this. As county commissioners, my two cohorts and I have made it our business to do some research on this matter, especially because there is much concern among the cattlemen about it.

As cattle ranching is a very important industry in our county the well-being of the industry concerns everyone interested in our economy. (Indeed, a deteriorating cattle industry in our county would adversely affect our tax base.) An increase in the grazing fee would reduce cattle numbers. In turn there would be a reduction in wages paid, goods bought, and surely a reduction in total spendable income in the county.

The possible physical detriment to our county shouldn't be overlooked. Sparse grazing could increase the fire hazard and/or undesirable vegetation. This could snowball into increased federal expenditures for fire-fighting, or brush eradication. The total agricultural community is concerned about the possible decrease in water yield of our already short water shed area. Thank God we had a good snow-fall this winter. Another winter like '67-'68 would have seriously affected our agricultural lands. Antelope and Owyhee Reservoirs were alarmingly low.

Senator, I feel that you are sympathetic with our appeal. We know you will be doing your best to stem the increase in the grazing fee because you are aware of the importance of agriculture to Idaho and the west.

Good luck and best wishes to you in your responsible job.

Sincerely yours,

DAVID PHELPS.

HAILEY, IDAHO, *March 24, 1969.*

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: I am writing to give my views on the grazing fee increase. Grazing on public lands is a privilege for some ranchers but not all. I believe the grazing fees should more nearly reflect average costs to the stockmen of Idaho and not be what the selected few can benefit from.

As you know 25% of these funds from the Forest Service goes to county school and road funds. The increase is needed by them as well as the Federal Treasury. I also do not like the idea of private citizens selling grazing rights that belong to everyone which they do now under government grazing rates are excessively low. I favor the increase.

Sincerely,

R. B. ANDERSON.

PARIS, IDAHO, *February 25, 1969.*

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: Sometimes I wonder if this Government, of the people, for the people, hasn't become exploitation of the people, by the many and various departments of Government. I refer specifically at this time to the untimely, unwarranted increase in grazing fees on public land. I believe that this increase is unjust and discriminatory, and will adversely affect an already oppressed segment of economy. I believe this should be held up until a more detail study can be made and an increase if necessary, be regulated by the income of the industry affected.

As a struggling young small cattle operator this increase will greatly affect my chances of remaining in business and earning sufficient income to live on, especially in our inflated times.

I would like to commend you on the stand you have taken on this issue as well as on others such as gun control and governmental pay Raises.

DON C. NYE.

BANCROFT, IDAHO, *February 10, 1969.*

Hon. FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SIR: We, as an organized grazing association, wish to commend you for your stand on the proposed grazing fee increases. We realize the impending hearings will be difficult and trying. For the good of one of the major industries in Idaho we encourage you to remain steadfast in your opposition to the increase.

As you well know, use of the public domain for grazing by Idaho ranchers is inseparately linked to their ranching operations. Indeed it has been since their home ranches were homesteaded.

We are cognizant of the position taken by those advocating the fee increases, that the lessees have not established any rights from use. We take exception to this line of thinking. We contend that nearly all the land in the west was claimed by use under the Homestead Act. We are not intimating that we in any way claim sole use of federal lands for grazing but we do feel that because of the improvements in which we have participated, such as water, roads, fences, etc., that we are entitled to some consideration in any change of the present status.

In our particular case, even though we are a small unit operating on grounds administered by the B.L.M., for the past several years we have spent an average of a thousand dollars a year on cooperative agreements and on our own for these improvements.

To contradict those who contend that the livestock grower runs rampant over Federal range, let me point out that whenever we have experienced excessive dry spells in this area we have, of our own volition and at great expense and inconvenience, removed our livestock from the range as much as six weeks prior to our regular removal date.

With the livestock business, a marginal operation at best, we know that the proposed increases will place many western stockmen's operations in serious jeopardy. Therefore, we wish to register very strong opposition to the proposed increases.

Again we offer you our support and our thanks for your efforts in our behalf.

Yours truly,

RAOUL WISTISUR,
LESTER HANSEN,
JOSEPH G. ELIASON,
ALAN SMITH,

Directors, North Canyon Livestock Association.

CASTLEFORD, IDAHO, February 24, 1969.

Hon. FRANK CHURCH,

U.S. Senate,

Chairman, Committee on Interior and Insular Affairs.

DEAR SENATOR CHURCH: The time is upon us to take action on the new grazing fee formula. We livestock men in Idaho realize that these hearings that are being held in Washington D.C. may have far reaching effect on the livestock industry in the Western States. The fee as proposed, will start the phase-out of range operators. The ten year schedule will give us little time to think in which direction we shall move. The first increase of eleven cents per animal unit month will be absorbed and our business can go on for one year—the next nine cent raise that will come in 1970, under the present schedule, will see the start of the finish of range operators. We will see livestock starting to market that ordinarily stay on ranges and by the time the fee reaches \$1.23 per AUM we will see the range livestock numbers reduced in half and only the rancher who has considerable private land will be able to stay in business.

The economy of the eleven Western States will be disrupted beyond any thinking. These States are so short on private lands that they have a hard time raising enough money through taxation to keep their State Government going. Our farms need livestock to consume the surpluses of feed that is grown and without livestock the demand for our hay, feed grains and corn will drop to a low level. The ranches will not be able to keep their present position for furnishing jobs for many people who like to work on ranches. The demand for machinery will stop because we will have no need for this equipment, especially to the degree we know today.

The ranchers in this area are working with the Bureau of Land Management and the Forest Service to better manage these grazing lands to make it more productive for livestock as well as wildlife, as one cannot help one without helping the other. They work for better grass and better water on ranges that do not have much of either. The Permittees in this area, both on Forest and BLM have contributed many dollars and hours work to bring water to their cattle and sheep by pipeline and have built many miles of fence to help control the grazing of domestic livestock. This \$1.23 grazing fee will stop all of the management plans, without livestock to use these lands we do not need management plans.

I feel that the grazing of these public lands is a must and it must be available to the livestock man at a reasonable fee because the cost of operation on this ground cannot be equal to similar private lands. These lands are what is left after

everyone took the good land by Homestead and Desert Entry, and never could be equal to private lands which took most of the water and bottom lands.

Surely, when the livestock go the Government will want revenue of some sort from this land so everyone will have to pay a "use fee" for the privilege of crossing the land.

In closing I would like to say this—Let us continue the livestock business on public lands and get in to management programs, rest rotation on these ranges, continue to reseed these ranges by spraying brush, seeding by mechanical methods and by Mother natures way and develop water from pipelines from whatever source we can, also fence these ranges so a rest rotation can be started. A grazing fee must be established for both Forest and BLM that is based on the earning power of the livestock business.

I regret that I cannot attend these hearings because of the distance involved. My best regards and much success with this important business. A cattleman from Idaho.

Sincerely yours,

ROLLAND K. PATRICK.

MALTA, IDAHO, February 24, 1969.

HON. FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SIR: I operate a General Store in a ranching-farming area. I'm concerned about the proposed fee increase on B.L.M. & Forest Grazing Lands.

If this proposed increase goes through it will be harder for the ranchers to pay their bills and they will have less money to spend in my store, thus my business will be adversely affected.

For this reason I am opposed to the grazing fee increase.

Respectfully,

Mrs. MAYLON WHITING.

MALTA, IDAHO, February 24, 1969.

HON. FRANK CHURCH,
U.S. Senator,
Senate Office Building
Washington, D.C.

DEAR SIR: Please find enclosed some material concerning my ranching operation that might be of use to you in the hearings concerning the grazing fee increase on Federal lands.

My use of BLM and Forest Grazing lands has not been free. Most of the development has been on a cooperative agreement between either the BLM and myself and the other permittee, Harvey Wight, or the U.S. Forest and myself and Mr. Wight.

I've divided this information into three sections:

- (1) Reseeding—see attachment "A"
- (2) Water Development—see attachment "B"
- (3) Fencing—see attachment "C"

Some of this work was done in 1953-54 and the records are not complete concerning the expense involved. I've listed the expenses where I could find the amount involved.

I've also included a comparison of what we've received for our calves over the past 20 years (I have a cow-calf operation of 135 head) as compared to one example—the cost of a tractor. (attachment "D")

If you can use any of this material please do so. It is accurate to the best of my ability to make it so from what records I had.

I still feel we are not being treated fairly on this fee increase. We not only have helped and cooperated with the BLM and Forest Service in money, time and labor in these development projects but *we*, the permittees, must also maintain the fences and the water system. We've also paid income taxes every year. I feel we've paid our fair share and that the increased fee is unjust. These increases affect our means of making a living and I have no objection to recreation, conservation and outdoor groups using the facilities as long as they don't try to run our business or put us out of business.

Thank you for your consideration and help.

Respectfully,

ALBERT J. COTTLE.

[Attachment A]

RESEEDING COST—A COOPERATIVE AGREEMENT WITH THE BLM, ALBERT J. COTTLE
AND HARVEY J. WIGHT

1953

This seeding project involved approximately 2200 acres of Federal Land and 800 acres of Private land. See Map "A."

My share of the cost, which was about $\frac{1}{3}$ of the total cost, was \$1849.45. In addition to this cost we had to deliver the crested wheat grass to the seeding; (a distance of about 60 miles one way) and furnish 1 tractor for seeding.

In comparison, in 1967 I seeded 360 A. of private land and I figure it cost \$10.00/Acre to plow the brush, buy the crested wheatgrass seed, and drill it.

This reseeding of brushland to crested wheat grass has been a "lifesaver" to the livestock men and I imagine has helped the wildlife also. It has also increased our property tax on private lands.

[Attachment B]

WATER DEVELOPMENT—BLM AND FOREST SERVICE ALLOTMENT AND ALBERT J.
COTTLE, HARVEY J. WIGHT, MALTA, IDAHO

As you well know, a lot of this western land could be used for agriculture and livestock if water were available. So it was with much of our range. We therefore undertook to improve our water for livestock purposes.

Between 1954-1963 we hauled water with a truck and tank to the northern end of our range. (Map B). We would haul from 1 to 4 loads a day anywhere from 5 to 10 miles per trip for 1 to 3 months of the grazing season. This is not a very economical venture because the cattle just don't get enough water.

In 1963-64 we formed an agreement with the BLM to drill a well on BLM land next to the Forest Boundary. The well would serve cattle belonging to myself and Mr. Wight, grazing on BLM and Forest lands which were adjacent to each other. The Forest Service would not help in the expense of drilling the well because it was on BLM land but only 25' from the Forest Boundary yet it would serve the same permittee cattle. (Very close cooperation between 2 government agencies). The Forest Service agreed to help with a pipeline and troughs if the well was successful.

The BLM spent one summer trying to drill the well and then gave it up. They told us if we wanted the well we would have to finish it ourselves. We therefore hired a private well driller and he completed the well and got sufficient water for livestock use. The well tested 2300 gal/hr at 0# and was drilled 450' +.

My share of the cost to complete the well drilling was \$210.00.

My share for the pump and installation, etc. was \$989.64.

The BLM furnished enough $1\frac{1}{4}$ " plastic pipe for $1\frac{1}{2}$ mile of pipeline. We had to install it.

1968 COOPERATIVE AGREEMENT WITH FOREST SERVICE.

Forest Service furnished pipe and troughs for $2\frac{1}{2}$ miles of pipeline from well located on BLM. We permittees, myself and Mr. Wight, had to pay for the cost of a booster pump, sump and install the pipeline. The costs were as follows:

| | |
|-------------------------------|-----------|
| "Cat" tractor and dozer----- | \$250. 00 |
| Excavating and trenching----- | 448. 00 |
| Concrete ----- | 14. 34 |
| Pump ----- | 679. 22 |
| Pipe and cable----- | 92. 14 |
| Total ----- | 1,388. 70 |

My cost was \$919.89 plus I paid a hired man \$150.00 for 30 days labor to help install the system. I worked on it for 30 days and a truck or pickup made approximately 30 trips of 40 miles/trip and I used 1 tractor for 6 days.

In 1969 we contemplated laying another 3 to 4 miles of pipeline from a spring on the U.S. Forest to increase our range usage. The U.S. Forest Service will furnish the pipe and troughs and we must install the system. The estimated

cost from the commercial operators for laying the pipe is between 1500.00 to 2000.00. (They charge from 10c to 15c/foot depending on the terrain).

The pumping system is electrical and we have to pay a minimum charge of \$300.00 for 10 years. My share is \$150.00/year.

[Attachment C]

FENCING COST—BLM AND FOREST SERVICE ALLOTMENT OF ALBERT J. COTTLE AND HARVEY J. WIGHT, MALTA, IDAHO

1950 TO 1968 (SEE MAP "C")

Approximately 5 mile of boundary fence was built. Cooperative Agreement—U.S. Forest Service furnished the material and the permittees built the fence.

Approximately 1½ mile of division fence was built—Forest Service furnished the material and permittees built the fence.

Approximately 1½ mile of division fence—Permittees furnished the material and the Forest Service built the fence.

1968

Cooperative Agreement—U.S. Forest Service furnished the material for approximately 4 mile of fence and we hired it built at a cost of \$1721.22. My cost was \$1067.16.

Within the next 4 or 5 years we will build another 2 to 3 mile of fence. I imagine it will be a Cooperative Agreement.

[Attachment D]

The price I've received for my calves has increased some in the past 20 years. This is due partly because I've tried to keep them till they were larger before selling them.

However consider what it costs to buy a tractor to what it cost 20 years ago.

1949:

| | |
|---------------------|------------|
| Calves sold----- | 98 |
| Total price----- | \$9,458.04 |
| Price per head----- | 96.50 |

1959:¹

| | |
|---------------------|-------------|
| Calves sold----- | 135 |
| Total price----- | \$14,427.99 |
| Price per head----- | 106.90 |

1968:

| | |
|---------------------|------------|
| Calves sold----- | 74 |
| Total price----- | \$9,345.13 |
| Price per head----- | 126.00 |

¹ Held same over from 1958.

In 1947 we bought a Farmall "A" tractor for \$950.00. In 1968 I priced an International "140" at Smith Equip. in Oakley, Idaho, and he could deliver it for \$3000.00.

(International Harvester no longer makes a Farmall A—the closest to it is the International 140.)

Please note that the cost of the tractor has increased 3 times (300%) to what it cost 20 years ago. The cattle price has increased 30%. From my standpoint and economic situation I don't believe a grazing fee increase was or is justified nor was the wage increase for the Congressmen justified.

Respectfully,

ALBERT J. COTTLE.

CLARK COUNTY STOCKGROWERS ASSOCIATION, INC.,
Dubois, Idaho, February 24, 1969.

Senator FRANK CHURCH,
Washington, D.C.

DEAR SENATOR CHURCH: Thank you for your kind consideration and the concern you have shown our organization in the recent fee raise in the livestock industry.

We will not be at the Senate hearing so we will not request you make this letter a part of the record.

We only urge you to continue your efforts to hold the grazing fee hike in abeyance or at the level it is at the present time.

Thanking you for your favors, we remain

Cordially yours,

LYNDON LAIRD,
Secretary.

LAKEVIEW, OREG., February 17, 1969.

HON. FRANK CHURCH,
Chairman, Senate Interior Insular Affairs Committee,
Senate Office Building, Washington, D.C.

SENATOR CHURCH: I am enclosing some items which I believe will be of interest to you, on the proposed increase in grazing fees. First is an article published in the Lake County Examiner, from a speech given by my son, on the effect of this proposal on our county. I think that it covers our stand on this issue and at the same time brings some new facts and figures in front of the public.

My combined Forest and BLM permits total approximately 5000 AUM's, so this is a vital issue with us. As stated in his speech our average cost for the past twelve years is \$4.50 an AUM. I am enclosing my 1968 costs per AUM, so you will have some figures to compare with private pasture rentals, where everything is furnished and you have little or no losses. These are actual costs, as I have not capitalized my grazing permits as some people have.

Cost per AUM

| | |
|--|--------|
| Grazing fees (average of BLM .33 and forest .68 Lake County)----- | \$0.50 |
| Additional riding costs----- | .66 |
| Gasoline and travel to ranges----- | .05 |
| Additional bulls (1 extra bull per 100 cows)----- | .50 |
| Smaller calf crop (10 percent fewer calves than on private pasture)----- | 1.80 |
| Death and stray loss on cows (3 percent or three cows per 100)----- | 1.08 |
| Maintenance on Government installations----- | .05 |
| Interest on the above items (\$4.64 cost per AUM, at 7½ percent)----- | .35 |
| Total cost per AUM----- | 4.99 |

I would like to take this opportunity to thank you for the time and effort you have taken in behalf of our industry.

Sincerely,

WALTER H. LEEHMANN, Jr.

[From the Lake County Examiner, Lakeview, Oreg.]

LHS SPEAKER ASSAILS RISE PROPOSED FOR GRAZING FEES

(In his talk prepared recently for the public speaking contest at Lakeview High School, Wayne Leehmann offered some new angles about the full cost of an animal unit month of grazing. Because of the importance of this topic to the livestock industry in Lake County, Wayne's talk is reviewed here.)

"The proposed increase in grazing fees is a serious threat to the twelve western states. If the fee suggested by the director of the budget and secretaries of agriculture and interior are passed, they will bankrupt the range cattle industry and the states dependent upon it. The government spent \$900,000 on a grazing study, conducted by the public land law review commission, on 10,000 ranches and found an average cost per AUM of \$5.09. Both secretaries have totally disregarded this survey and are proposing an increase in grazing fees of as much as 300 percent.

"In the past, the Bureau of Land Management has used a formula that has been entirely satisfactory to the industry. It was based on the average price of livestock the preceding year. The United States Forest Service set their fees on a cost of administration basis.

"People read in magazines and newspapers that we are getting this range for 33¢ per AUM on BLM and approximately 75¢ per AUM on forest. This is only the beginning, as most operations can prove that it costs from \$4.50 to \$5.50 per AUM. Our own operation averages \$4.50 on forest and BLM land. Some of the factors that fit in this are extra gas used in traveling to and from ranges, additional bulls during breeding season, smaller calf crop due to cattle

being scattered, predators, and fluctuating feed conditions, larger death losses, extra help trailing and riding after cattle, maintenance of government drift fences and other installations, and interest on money spent on these items.

(At this point, Wayne quoted statistics from the December issue of the Farm Journal, showing the 180 head of cattle grazed on Forest Service land averaged \$4.96 per AUM; and the average cost of grazing 180 head of cattle on irrigated pasture came to \$2.25 per AUM.)

"In Lake County, good irrigated pasture costs an average of \$3 to \$3.50 per AUM with everything furnished.

"I am not saying that we shouldn't use the government range, because it figures into the economy of our country and at present fees is a practical operation. Fifty-four percent of the State of Oregon and 73 percent of Lake County is federally owned, and one of the main sources of revenue is from grazing. Taxes from the land and livestock dependent on this federal range are important to the economy of our county and state. If we are forced off the federal range, about fifty percent of the livestock operations in our county would become worthless. This would add to the financial problem we now have, where already only 27 percent of the land is taxable to support our county.

"In closing I would like to stress that in view of the facts I have mentioned, I believe an increase in grazing fees under present conditions and livestock prices would bankrupt our county and the 12 western states."

IMNAHA, OREG., *February 19, 1969.*

DEAR SIR: I am writing to you in regard to the proposed raise in grazing fees on national forest and B.L.M. lands.

This raise in grazing fees concerns me, because I run cattle on national forest lands, and the effect it might have on the rest of the economy of our area. The livestock industry has no profit to reach into now to raise funds to meet this proposed raise. Money would be pulled out of other channels, thus this would be felt by many people other than stock men.

We are continually digging deeper to support our schools (our 1969 budget is up \$50,000 over last year) we will have to raise this some where. I contend that the stock men are now carrying their fair share of public support, through roads, schools, county, State and Federal government.

Thank you.

GRANT WARNOCK.

LAKEVIEW, OREG., *February 21, 1969.*

HON. FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SENATOR CHURCH: I appreciate your recent letter which was written in response to the request conveyed by myself through the Hon. Mark O. Hatfield, that I be scheduled as a witness at the above hearings. I am requesting that my name be deleted.

At the time I expressed a desire to be heard I was aware that suits had been filed in the Federal Courts in both Salt Lake City and in Albuquerque, in which the pleadings raise the issue as to whether or not the amendment to the Independent Offices Appropriation Act of 1952 transferred jurisdiction over the fixing of grazing fees on the Taylor Grazing lands and on the national forests to the Director of the Budget. I had hoped that the Senate and House would delay their hearings until a court ruling could be obtained. It may well be that a Congressional reversal of one or more courts may be required as was done some 15 years ago in the case of the Tidelands decision of the U.S. Supreme Court.

I feel certain that all of we westerners are well briefed on the grievances of the holders of federal grazing permits. The next step is the providing of a practical remedy since it is obvious that neither a court nor the Congress can measure the grass, et cetera, and fix the fee to be charged from time to time.

No doubt you are aware that the press releases with which the federal agents flooded the rural newspapers of the West stated that the Director of the Budget recently increased the grazing fees, and not the two Secretaries. If the courts can put the Director back in what persons like myself consider to be his proper place then the fee responsibility will automatically be back in the hands of the two Secretaries where I believe it properly belongs. Then the Congress can investigate the reasonableness thereof.

It is my personal opinion that the best evidence of the ability or lack of ability of our western range livestock industry to pay increased fees would be to take (by consent) 100 income tax returns per state filed by families 100% dependent for income upon their livestock operation and run them through a computer. I would certainly rest my case on the outcome. I deal with many such persons over an area as big as several eastern states and I do not know of a one that made a reasonable return on the investment in 1968; I can name any number who slipped further into the red.

Since the hearings are going to proceed, may I suggest that the Committee develop through the testimony the consumptive use charge concept of the federal agents as distinguished from the necessity of the livestock being upon the federal ranges at certain times of the year because the critters serve as a management tool. Twenty five years ago the regional director of the U.S. Fish & Wildlife Service attempted to cancel certain grazing permits because he believed they served no useful purpose. The national director, who had once roamed the wide open spaces in charge of predatory animal control programs, blasted him out of his chair with his prompt reversal and pointed out to the gentleman that, if the stockmen do not furnish the stock and take all of the risks, as has been the custom, the Congress is going to have to buy the required sheep and cattle.

Our Congress is becoming so urbanized that I will venture the opinion that 15 years from now the average member thereof won't know the farmer from a load of hay. It is thus important that some simple economic truths be nailed down now before the avalanche of college degrees smother one and all.

Yours very truly,

FORREST E. COOPER.

NORTH BLISS CATTLE ASSOCIATION,
Glenns Ferry, Idaho, March 7, 1969.

HON. FRANK CHURCH,
U.S. Senator from the State of Idaho,
Senate Office Building, Washington, D.C.

DEAR FRANK: The North Bliss Cattle Association, having 21 members and representing 61,757 AUMs on the B.L.M., would like to go on record opposing any increase in grazing fees. Believe me, we would surely appreciate whatever you can do to accomplish this.

Respectfully,

MARY S. KNOX,
Secretary-Treasurer.

TRI-STATE NATIONAL BANK,
Montpelier, Idaho, February 24, 1969.

Senator FRANK CHURCH,
Senator LEN JORDAN,
Representative ORVAL HANSEN,
Washington, D.C.

GENTLEMEN: In a few days, Congress will have hearings and review proposed grazing fee increases on Forest and BLM lands. As an agricultural lender in Southeastern Idaho, Northwestern Utah and Eastern Wyoming, I am vitally interested in these proposed increases. The sheep and cattle men today are carrying a heavy burden from increased costs of operation, inflation priced machinery and higher tax burdens. It is my opinion that at this time grazing fee increases would be ill-timed and a detriment and deterrent to the survival of the sheep and cattle industries in the United States. We are rapidly reaching the point where our domestic production will be discouraged and importation will be encouraged. This, Gentlemen, will not be a healthy situation for we the American people to have to rely on a heavy foreign importation of raw meat.

Therefor, we respectfully ask that you use the power and influence of your respective offices to discourage the proposed grazing fee increases in whole or, at least, in part.

Respectfully yours,

W. G. CANDLAND,
Executive Vice President.

DIAMOND RING RANCH,
Casper, Wyo., February 26, 1969.

HON. FRANK CHURCH,
Chairman, Public Lands Subcommittee of the Senate Interior Committee,
Washington, D.C.

DEAR SENATOR CHURCH: The increased grazing fee and the non-recognition of the capitalized value of grazing permits as a cost of running livestock on public lands is going to have a most adverse effect on the operations of the Diamond Ring Ranch.

Our ranch is highly dependent on the public range for forage for our cattle and sheep.

The profit margin of running livestock on the lands in the western states is very narrow. Any increase in cost of operation will make the profit margin even narrower, and during times of severe livestock losses from storms, predators, etc., profits are non-existent in western livestock operations.

It is impossible for me to appear before your committee on the grazing fee issue; however, I most heartily endorse the statements of the Wyoming Wool Growers Association and Wyoming Stock Growers Association and would respectfully request that this letter be made a part of the hearing record.

Sincerely yours,

VAN IRVINE, *President.*

JANUARY 24, 1969.

PUBLIC LANDS REVIEW COMMISSION,
Senate Office Building,
Washington, D.C.

DEAR SIR: The Indian Mountain Cattle Association, Indian Valley, Idaho, wishes to call to your attention some of the inequities involved in the increased grazing fees. This association is operating under a grazing agreement with the Forest Service on the Indian Mountain allotment. This agreement calls for the association to make a contribution of maintenance of the improvements which is in addition to the cost of grazing. This added cost plus the charge increase up to competitive private pasture price puts the cost of grazing on this allotment of the National Forest above the cost of private competitive pasture.

Under the grazing agreement this association has taken a 20% cut in grazing on the allotment and is scheduled to take an additional 10% cut this year and an additional cut of 10% percent next year. These cuts tend to make the cost of grazing on national Forest lands higher as the fixed costs can only be absorbed by fewer animal units. Economically this is drastic enough in itself however when you couple this with the increase proposed by the Secretaries of Agriculture and Interior it renders the situation untenable.

Gentlemen, I realize the farmers are poor letter writers so I have been designated to write this letter to you on behalf of the twenty small cattlemen that make up the membership of this association. In this matter, our destiny is in your hands.

Sincerely yours,

JOHN HOLMES,
Secretary, Indian Mountain Cattle Association.

JANUARY 6, 1969.

MR. SAM DEFLER,
Supervisor, Payette National Forest,
McCall, Idaho.

DEAR MR. DEFLER: In reference to your letter of December 10th, in regard to proposed changes in grazing fees, representatives of the Payette National Forest Cattle and Sheep permittees, in a joint meeting held January 4th, in Cambridge, Idaho submit the following: That the fee charged be based on all the costs recognized in the fee study including the market value of a valid grazing permit; and further, that no grazing fee increase be enacted prior to completion of the Public Land Law Review Commissions report.

As users of public lands we recognize the responsibility to pay equitable fees, however, we feel the proposed increase to be unjustifiable.

Sincerely yours,

MILTON W. BRANCH,
Chairman, Wool Growers Association.

DIETRICH BUTTE CATTLEMEN'S ASSOCIATION, INC.,
Shoshone, Idaho, February 20, 1969.

Hon. LEN JORDAN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR JORDAN: The Dietrich Butte Cattlemen's Association, Inc. which is comprised of twenty three AUM permittees representing approximately 7000 AUMS in the Dietrich Butte Cattle Allotment of Idaho Grazing District No. 5, with the following investment in mind, hereby protests the proposed raises in government grazing fees.

During the past eight years, the cattle users of this association have spent the following in actual cash outlay for permanent improvements on the federal range in this allotment:

| | |
|---------------------------------|--------------|
| Fences and cattleguards----- | \$5, 301. 12 |
| Water facilities----- | 1, 261. 30 |
| Holding fields and corrals----- | 829. 96 |
| Bridges ----- | 771. 95 |
| Total ----- | 10, 164. 33 |

The major portion of this was from 1961. The improvements on this allotment are not completed. For proper grazing, more water, fencing and reseeding will be needed in the future.

In addition to the above, our members have expended \$1760 per year to take care of actual operation of the cattle within the unit. This adds a total of \$14,080 to the above total of \$10,164.33 making a grand total of \$25,244.33. This does not take into consideration any interest figures on our investment. Figuring at a 7% rate per year, interest would add approximately \$6500.00.

Therefore, we of the Dietrich Butte Cattlemen's Association, Inc. feel that with the amount already invested plus that which is still required in the future in fencing, water facilities and seeding for proper range management of the allotment that the proposed raises in federal grazing fees are prohibitive. It is doubtful if the cattle industry in our area can survive this economic demand.

We do hereby request reconsideration of the proposed fee increases.

Respectfully,

IVAN C. HOPKINS,
Secretary, Dietrich Butte Cattlemen's Association, Inc.

JORDAN VALLEY, OREG., February 17, 1969.

COMMISSIONER ON INTERIOR AND INSULAR AFFAIRS,
U.S. Senate,
Washington, D.C.

The proposed increase in grazing fees on public lands presents a new and serious threat to the communities, counties, and states that depend upon the livestock industry for their economic well being.

The largest percentage of ranchers are cow-calf operators, selling feeder calves to feedlot operators where they are finished. It is a hard cold fact that the price received for feeder calves has not increased beyond the peak reached twenty years ago. During the same twenty year period operating expenses have increased at a staggering rate. During the same period other businesses (not related to agriculture) have been able to absorb the higher cost of production by raising the price of consumer goods.

Average return on investment in agriculture has continued to decline.

1964-50: 12.4 percent return on investment.

1967: 6.4 percent return on investment.

1968: 2.0 percent return on investment for ranchers due to high costs and a poor market.

Total National Income.

1947: 199.0 Billion T.N.I.

1947: 15.2 Billion, Farm Net.

1968: 705.4 Billion, T.N.I.

1968: 15.4 Billion, Farm Net.

Farm income on a national average in 1967 reached an all time low and was 44.7 percent of the peak or parity years of 1948-50. During that period of time farm production had increased 40 percent but farmers were not rewarded for it.

The wife of a retired rancher wrote the following letter asking me to testify before the Senate Interior Committee. I believe that her words explains the situation much better than I.

"FEBRUARY 9, 1968.

"Dear Mike: This came today. (A letter from Frank Church advising her on the procedure for testifying.) I sent the article you put in the Statesman and said it was all true and every stockman in Oregon and Idaho felt they would be crowded out of the cattle and sheep business. It would hurt towns, city and churches besides.

"I am too old to go and would not put it across as you young people can and I hope you will be willing to fight for your rights.

"Sincerely,

CLARA MAHER."

I feel that any grazing fee increase proposed should be based on a sliding scale. When the livestock market is up then it would be fitting to raise the fees in proportion but when the market is in a slump, have a like deduction to compensate for it.

The years of 1948-50 serve as the parity years and when the market for feeder cattle passed parity then the fees could be raised on the scale determined by a panel made up of the following:

1. A cattleman selected by the American National Cattlemans Association.
2. A sheepman selected by the Wool Growers.
3. A banker from a rural area, which finances ranchers using the public domain.
4. A P.C.A. man.
5. A representative from the BLM.
6. A representative from the Forest Service.

A concerned rancher.

MICHAEL F. HANLEY, IV.

NEW MEXICO WOOL GROWERS, INC.,
Albuquerque, N. Mex., February 20, 1969.

Senator FRANK CHURCH,

Chairman, Public Lands Subcommittee, Senate Interior Committee, Senate Office Building, Washington, D.C.

Gentlemen: Enclosed is a statement prepared in behalf of New Mexico Wool Growers, Inc., which is self-explanatory. I would appreciate your filing this statement in the appropriate manner in conjunction with the forthcoming hearings on grazing fees. I understand these hearings will be held February 27th and 28th. Thank you.

Yours very truly,

PHELPS WHITE, *President.*

NEW MEXICO WOOLGROWERS, INC.,
Albuquerque, N. Mex.

Subject: Grazing fees on public lands.

To: Public Lands Subcommittee, Senate Interior Committee; Public Lands Subcommittee, House Interior Committee.

New Mexico Woolgrowers, Inc. is a statewide organization representing the sheep industry of New Mexico with several hundred members and is affiliated with the National Woolgrowers Association.

New Mexico Woolgrowers, Inc. fully supports the position of The National Woolgrowers Association and The American National Cattlemens' Association in this issue. It is hoped that these hearings, both in the Senate and in the House of Representatives, will serve to enlighten members of Congress and other individuals and groups on the reasons for the position taken by these livestock groups.

There are other questions involved here besides the simple concept of increased grazing fees. The manner in which these grazing fee increases were implemented has not been in the best interest of anyone concerned, including the respective governmental agencies. The question of increased fees alone is one which the livestock industry has always been ready to resolve with any and all individuals and agencies who raise the question. The manner in which these increased fees were determined, the ultimate extent of the increased fees, and the economic

impact of these increases over the next ten years, and the years beyond, are fully covered in statements and testimony being presented by other state groups as well as the several national groups such as The National Woolgrowers Association and the American National Cattlemen's Association. This statement is not repetitious in that respect, however, several points should be made.

First, The Departments of Agriculture and Interior did not allow enough time for constructive comments and answers to the proposed regulations, particularly since Congress was not in session during the entire forty-five day period for comment. The fact alone that this entire period fell between the general elections in November and the inauguration is reason enough to indicate not enough time was allowed for proper intelligent and constructive answers from either side, pro or con.

Secondly, these fees should be tied to the market price of livestock, as in the past.

Third, other users of public lands, particularly in the areas of recreation, should arrange to pay for using these lands also. If value is placed on forage, then value should also be placed on other benefits and products of these lands, including "esthetic" values.

Fourth, the actions of the Departments of Agriculture and Interior have completely circumvented the intent and work of The Public Land Law Review Commission. This commission has heard testimony and has had cooperation from the livestock groups of America as well as all of the other individuals, associations, and groups that are concerned about the public lands and their future use under the law. It is hoped that this commission will be given enough time to recommend a solution to the question of grazing fees, along with all of the other recommendations that they will undoubtedly have.

Lines are distinctly drawn in this issue of grazing fees, and in many respects, it is very unfortunate these lines are drawn between the livestock industry and other user groups that are concerned about the welfare of the public lands. There are many factors common to both of these opposing groups and it is unfortunate that all of the users of the public lands cannot work together in making our western lands more productive from the standpoint of our national economy as well as from the standpoint of recreation, preservation, and general use of the public domain. If only these opposing groups could face these problems with mutual trust, many problems would be resolved without having the government step in to either arbitrate or actually tell opposing sides how a given situation will be resolved. Livestock producers on the open range are the original conservationists. It is true that were they not, the wide open spaces of the West would have long been depleted and made non-productive.

The early livestock men settled only along the natural sources of water. In those days, there were no fences, nor were there man-made sources of water. Only after heavy rains did these operators venture away from live water and natural lakes to seek the grazing lands surrounding water left by the rain. There was far less game over the general area than there is today. In New Mexico, for example, the deer habitat is much larger in the area than in the years past. This is due primarily to the development of water by the livestock industry. It should be pointed out here that the early livestock operators did not exploit the buffalo and antelope! As the livestock industry grew and developed, many improvements were established on the western range to facilitate better grazing, better use of the forage land, and at the same time wildlife had a far greater opportunity to survive. Today, this situation continues to improve.

In a sense, livestock operators on the western range are the true caretakers of this land for all America to ultimately use and enjoy. If wildlife, recreation, and conservation groups could only realize this, most of our problems would be resolved to everyone's benefit. Cooperation among people is the key to successful solution to problems. When cooperation ceases to exist, distrust, inefficiency, and sometimes chaos result. There has been a lack of cooperation on this issue on grazing fees by all parties concerned; the governmental agencies, and the opposing groups interested in the public lands. The livestock industry stands ready to do its part.

This statement is general in nature, but most certainly points out the factors involved in the issue at hand. No simple solution is available, but there is basic good in the philosophies expressed by all groups. We in the livestock industry have a deeply engrained love of country and an honest and sincere desire to contribute to the heritage of our country and to the welfare of its people through one of the basic and vital industries of America.

J. PHELPS WHITE III,
President, New Mexico Woolgrowers, Inc.

SODA SPRINGS, IOWA, February 23, 1969.

Senator FRANK CHURCH,
Chairman, Senate Public Lands Subcommittee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I am a rancher of Caribou County and would like to express my feeling concerning the grazing fee hike that has been saddled to the livestock producers.

Everyone to whom I have discussed this problem with is concerned. Livestock production is one of the major industries, as you know, of Idaho. Business and all other phases of our economic set-up are closely interlocked with farming and livestock production. The businessman, particularly, are concerned over this threat to our welfare.

The livestock men are hurting badly. Depressed prices, spiralling overhead, inclement weather, etc., have put all of us in a bad way. Many of the farmers are losing their places because of these adverse conditions. There are a great number of cattle and sheep spreads that are being sold to liquidate their debts.

I am also chairman of the Farm Bureau of Soda Springs and at our meeting Tuesday they unanimously expressed this option and asked that I write and relay this message to you.

Many of these livestockmen have built up their operations and lives around their grazing land of which many are federally owned in Forest Reserves, Taylor Grazing rights, B.L.M. lands, etc. I know of many cases where even generations have gone into their development of these places. In most cases the operation is built around the grazing rights. Many of these are being closed out now.

Many of us have done much to improve our ranges, such as purchasing surrounding lands to improve our federally controlled range rights, built corrals, fenced pastures, constructed roads, waterholes, sprayed and otherwise killed and controlled brush and undesirable weeds, etc. Many of these have been added at no extra cost to the government and no additional grazing permits have been given or asked for.

With the proper use, most of our livestock use of range will also improve the wildlife and fish conditions. For example, deer and cattle complement each other. The deer eat the brouse and the cattle the grasses. Grazing of ranges properly and with discretion will also help minimize the fire dangers. Likewise, the eradication of some of the detrimental brushes and weeds will also help conserve water and help prevent soil erosion which is also detrimental to our game and fish.

Incidentally, those to whom I talk are very perturbed and worried over the big salary boosts that the country is taking with our war efforts also taking so much along with inflation, especially in U.S. government and state government.

Another problem is our concern over the Bear River. Utah seems to be trying to get a large slice of the Bear that was appropriated to Idaho under the Bear River Compact.

Senator Church, whatever help you can give us to help stop an increase on our grazing fees and these other matters will be greatly appreciated. The livestock producers are too hard hit. We would also appreciate whatever you can do to limit the imports of meats from foreign countries. Please advise me if there is further help I can give in these matters.

Best personal regards,

STANFORD H. STEELE.

RIGGINS, IDAHO, January 22, 1969.

Senator FRANK CHURCH,
Washington, D.C.

DEAR MR. SENATOR: I am in the sheep business here in Idaho County. I came here in 1926 at the age of 24 and started in the sheep business, then went through the depression of the 1930's knowing that it would come to an end.

But what do I see now? Government spending more than it takes in forcing prices up to above world market values. Our sheep business declining as our imports rise. Shooting billions at the moon. At the same time quarreling over a raise in range leases with an established sliding scale. The market has not raised so our range is not worth any more to us. We believe in the multiple use and feel we are already paying our fair share of cost.

These ranges cost me somewhat—when money was hard to come by and we need your help to outlaw this unfair raise.

Private enterprise made one of the strongest nations in the world, and I believe can keep it strong. Hoping you can help us in this cause.

Sincerely yours,

DAVE WALTERS.

PITTSBURGH, PA., *February 28.*

HON. FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: I wish to express my sentiments concerning changes in the grazing fees for users of public lands. I feel strongly that present fees are too low. They should be brought in line with present market values. The findings of the Western universities and the Department of Agriculture would, I believe, give a fair price. The taxpayers have subsidized ranchers and sheepmen for too many years.

I ask that this letter be made a part of the record of the hearing.

Thank you.

Yours truly,

JACK PRICE.

PARIS, IDAHO, *February 24, 1969.*

Senator LEN JORDAN,
Senate Office Building,
Washington, D.C.

DEAR SIR: I am a permittee on the national forest. I feel that President Johnson and his Department of Agriculture and Interior took one last poke at the stockmen with their proposed increased fees along with cuts in grazing numbers.

I hope you feel you can oppose this bill and will work against it.

Respectfully,

RUSSELL ATHAY.

OVID, IDAHO, *February 24, 1969.*

DEAR SIR: I protest the increase in grazing fee on U.S. rangeland. Why—because it is high for what we get and can expect here.

Sincerely yours,

DAVID G. PARKER.

MALTA, IDAHO, *February 24, 1969.*

MR. FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR MR. SENATOR: I am writing a letter to tell you that I am opposed to the increase in grazing fees.

I have spent a lot of my time and money helping build up a lot of no good land. So it would take care of a few cows.

I have also helped put in miles of pipe in order to have water.

We have also put in miles of electric line to wells so we could pump water.

If we hadn't had REA power we couldn't have done this.

I think we have been paying enough for what little grass we have been getting.

I have also helped furnish miles of fence and also spent days putting it up at my own expense.

Sincerely yours,

GLEN PARKE.

PARIS, IDAHO, *February 24, 1969.*

Senator FRANK CHURCH,
Senate Office Building,
Washington, D.C.

DEAR SIR: I am writing to you in protest of the increase in grazing fees on our national forests.

I am a permittee and at this time feel that we are getting an unjust working over both in cutting our numbers and paying more for the ones left on.

Please work as best you can on this project.

Respectfully,

RUSSELL ATHAY.

GENEVA, IDAHO, February 27, 1969.

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SIR: Southeastern Idaho is made up of many livestock men. They are all very alarmed about this 40% raise on their grazing permits.

I have been in the cattle and sheep business for 34 years. With plenty of hard work, long hours and the help of my family, I made out fairly well until the last few years.

Since that time the ranchers feel that they have been discriminated against.

The price squeeze has grown tighter and tighter.

So many ranchers are selling out and leaving.

If this 40% raise goes into effect besides the government shipping in 40% more *Foreign Meat*, this will fold up the stockmen.

Young men don't find farming attractive. They can make more money elsewhere.

The farms will all fall into the hands of the large operators. They will organize and then they can really put on the pressure.

I am not so sure this will be so good for our country.

We feel that you are a friend to the stockmen and hope you will be able to do something to help us out.

Yours respectfully,

CARL E. HIRSCHI.

COEUR D'ALENE, IDAHO, March 3, 1969.

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR FRANK: Your newsletter—"As I see it" received. I agree with you on "Executive Pay Hikes should have been defeated." The grazing set-up (par. 4, page 1) needs looking into.

What is this "Sawtooth Recreation Area" bill? Please explain it to me. If it passed would it mean that the Federal (U.S.) Government would actually own the land the "Sawtooth Mts." are on? I have been through the Sawtooth area.

Please explain the "Southwest Idaho Water Development Project" to me.

Work for us to keep our guns and ammunition. Work to free Captain Bucher.

Now in regard to poor Captain Bucher and that unfortunate U.S.S. ship and the "Court of Inquiry." Can you get and mail me a copy of the written proceedings of that "Court of Inquiry"? Who is the head of the U.S. Navy—the President or the Chief Admiral? Could you get me a book or pamphlet of U.S. Navy Law? Work to have the U.S. Navy brass overhauled. It needs it.

MISS EDUARDA KEITH.

NEW ORLEANS, LA., March 13, 1969.

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHURCH: I'm not a constituent of yours, but I still hope you will heed the fact that I (and a lot of sportsmen and outdoors type, like me) hope that your committee will finally recognize that the public lands are for the public, and for wildlife (including predators)—*not* just for stockmen and their livestock. Those stockmen should at least pay a fair rental if they use the federal lands. Please urge your fellow western senators to act in the interest of the general public, not just the stockmen's lobbyists in this matter. Grazing fees should be increased, and I hope some of the increase goes for conservation.

Sincerely yours,

DONALD SCHUELER.

WEISER, IDAHO, February 19, 1969.

Senator FRANK CHURCH,
U.S. Senate,
Washington, D.C.

DEAR SIR: I am writing you in regard to the fee that has been raised for stock on the B.L.M. and the Forest Reserve. I saw by an article in the paper that about all the cattleman's association are against it, and go so far as to say it will

break a lot of them. I am a cattleman, run about 200 head a year on private land and I would like to be able to run on the Reserve or B.L.M. as I could do it much cheaper. But it is impossible to get on, and I think I've got as much right there as they have. They are not paying too high a fee as it is the cheapest way there is to run cattle. It is cheaper to run cattle on the reserve than it is to own the land, as it isn't as much as it would be to pay taxes. Sen. Jordan, I think, is protesting the raise and I think he knows in his own mind the fee isn't too much. Or at least he should, as he run cattle on the Snake River. I think there are just as many cattlemen that feel as I do but just don't say anything.

Now, Senator Church, I think you and Senator Jordan better take a good look into this before you protest the raise too much. I would also like to make a suggestion. I don't know if it would work or not but why not put it up for bid every five years and that would give all the cattlemen a chance to run on the reserve.

Yours truly,

OSCAR DAFFER.



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